DIY

Industry update

Evans closes home-building div.

PORTLAND, Ore.—Evans Products is getting out of the home building business.

The company, which has been attempting since late last summer to sell off its 348-store retail home center chain as a group without success, announced it was discontinuing its custom-built homes divisions, the home building arm of the company, following three consecutive years of operating losses.

Evans officials took a pretax loss of nearly $20 million in 1982 and anticipated a better than $40 million operating loss from the homes group for the year.

After a modest operating loss in 1980, the custom-made homes division reported a $31.9 million loss in 1981 and a 9% drop in revenues to $146.6 million.

Through the first nine months of fiscal 1982, sales fell more than 70% to $38.6 million compared to year-ago figures, providing the division with a $29.4 million operating loss. Unit deliveries were off more than 80% from the previous year, officials reported, due to high mortgage rates and consumer concerns about unemployment.

Another factor contributing to the decline was the limiting of financing opportunities through Evans, starting in 1981.

Evans participated in home building through its Capp and Ridge divisions which framed and closed homes and then had customers finish the projects themselves with Evans supplies.

Evans will continue with homes currently in progress.

In another development, Evans and its home finance subsidiary have completed loan agreements providing for secured term loans totaling $728.2 million and $40 million of secured revolving credits.

Wickes' operating profits edge up

SANTA MONICA, Calif.—"Despite the troubled nature of the economy, we are still moving forward."

So said Sanford C. Sigoloff, chief executive for Wickes Cos. here, which showed a $3.5 million operation profit for its fiscal third quarter, but recorded an overall $75.8 million net loss due to expected losses from the sale or closing of its Aldens catalog subsidiary.

For the same period last year, Wickes reported earnings of $9.7 million (restated) from continuing operations, due largely to after-tax gains of $15.4 million for the sale of securities.

Sales for the most recent quarter fell to $679 million from $916.5 million in the similar year-earlier period. For the first nine months of fiscal 1983, sales declined to $2 billion from a restated $2.7 billion in the same period last year.

In its first three quarters, Wickes reported an operating loss of $129.7 million and a net loss of $232.8 million, compared with a restated operating profit of $14.3 million and net loss of $1.9 million for the same nine-month time frame last year.

"We are pleased that efforts undertaken earlier this year are beginning to show results," said Sigoloff, who pointed specifically to a companywide store remodeling and refurbishing program.

3 Genuine divisions join Sentry

WASHINGTON—Three divisions of Genuine Hardware have recently joined the fold of 15 other wholesale distributors being serviced by the national buying and marketing group, Sentry Hardware, Cleveland.

Genuine Hardware of Atlanta ships to hardware, home center and lumber and building materials dealers in Alabama, Georgia, North and South Carolina, Tennessee, Kentucky and the Florida panhandle. Its sales are estimated at $40 million.

Genuine Hardware of Jacksonville, Fla., does more than $17 million in volume, covering southern Georgia, north and central Florida, the Bahamas, Caribbean and Central America with 18 salesmen.

And the third new Sentry member, Genuine Hardware of St. Petersburg, Fla., serves central and southern Florida.

National Home Center News.

Calendar 4
Classified 35
Editorial 8
Home Centers & the Law 31
Letters 8
People 7
Price Point Survey ... 34
New Stores 7
Retail Management Systems 33
Washington View 8

National Home Center News (ISSN 0192-6772) is published biweekly, every other Monday, 25 times a year, beginning with the first Monday in January through the fourth Monday in November, monthly in December; by Lebhar-Friedman Inc., 425 Park Ave., New York, N.Y. 10022. Manufacturers, schools, libraries and all others: $20 a year ($21 in Canada). Foreign subscriptions: Airmail only, $100 per year.

Second class postage paid at New York, N.Y., and additional mailing offices. Vol. 9, No. 2. Copyright© 1983 by Lebhar-Friedman Inc. All rights reserved. Postmaster: Please send address changes to Subscription Dept., National Home Center News, 99 Park Ave., New York, N.Y. 10016. For change of address six weeks notice is requested. Give old and new address and zip code. If possible, enclose address portion from cover on previous issue.

Vol. 9, No. 2 January 17, 1983

Channel reorganizes buyers; Grace considering revamp

WHIPPANY, N.J.—Channel Home Centers has revamped its buying office from four divisions to three to conform with the set-up at its sister W. R. Grace chains.

The move late last year came amid rumors that Grace was preparing for another major shift in the structure of its home center division, with the consolidation of Atlanta-based Handy City with Channel and Handy Dan, Grace's Texas and Midwest operation.

In the six years since entering the home center business with the purchase of then 13-store Handy City, Grace has grown to 270 stores and six chains. The home center division has been reorganized periodically to better absorb that rapid growth. Early this year western and central regions were formed from Angels and Cashways and Handy Dan, respectively.

Handy City and Channel were not affected by that reorganization and a W. R. Grace spokesman denied that any major changes involving them are now imminent.

"A number of things are being bandied around," said Fred Bona, director of press relations. "Nothing's imminent. Nothing will happen in the next couple of months. If something with home centers is to be done it would be part of a larger picture. Nothing's been decided."

He would not say whether one of the matters being bandied around is the possibility of absorbing Handy City headquarters into another chain in the Grace group. But a source close to Handy City noted that the chain's stores are assessed 4.5% of their sales as a contribution towards the home office's costs. Eliminating that assessment would save more than $5 million per year.

Said another source about the possibility of absorbing Handy City into Handy Dan or into Handy Dan and Channel, "There's no question, that's been in the game plan a long time."

Bona would not discuss details of any reorganization that might be under consideration.

"Nothing happening is also a possibility," he said. "Anything that would happen in the home center division would be months away."

In the meantime Channel has reorganized its buyers into three divisions under Tom Vertitis, vp, general merchandise manager. The three division managers are Vincent Fran-

(Continued on page 37)

Organizers claim strong interest

Industry show dates draw near

NEW YORK—After the Northeastern Lumberman's Show in Boston, retailers barely had time to catch their breath before the new Winter Hardware Show in Las Vegas on Jan. 30-Feb. 1 and, four weeks later, the National Home Center Show in Dallas Feb. 27-March 3.

And it is still too early to tell whether either show will hurt the other's attendance, as both shows' organizers claim that preregistration of both manufacturers and dealers has exceeded expectations.

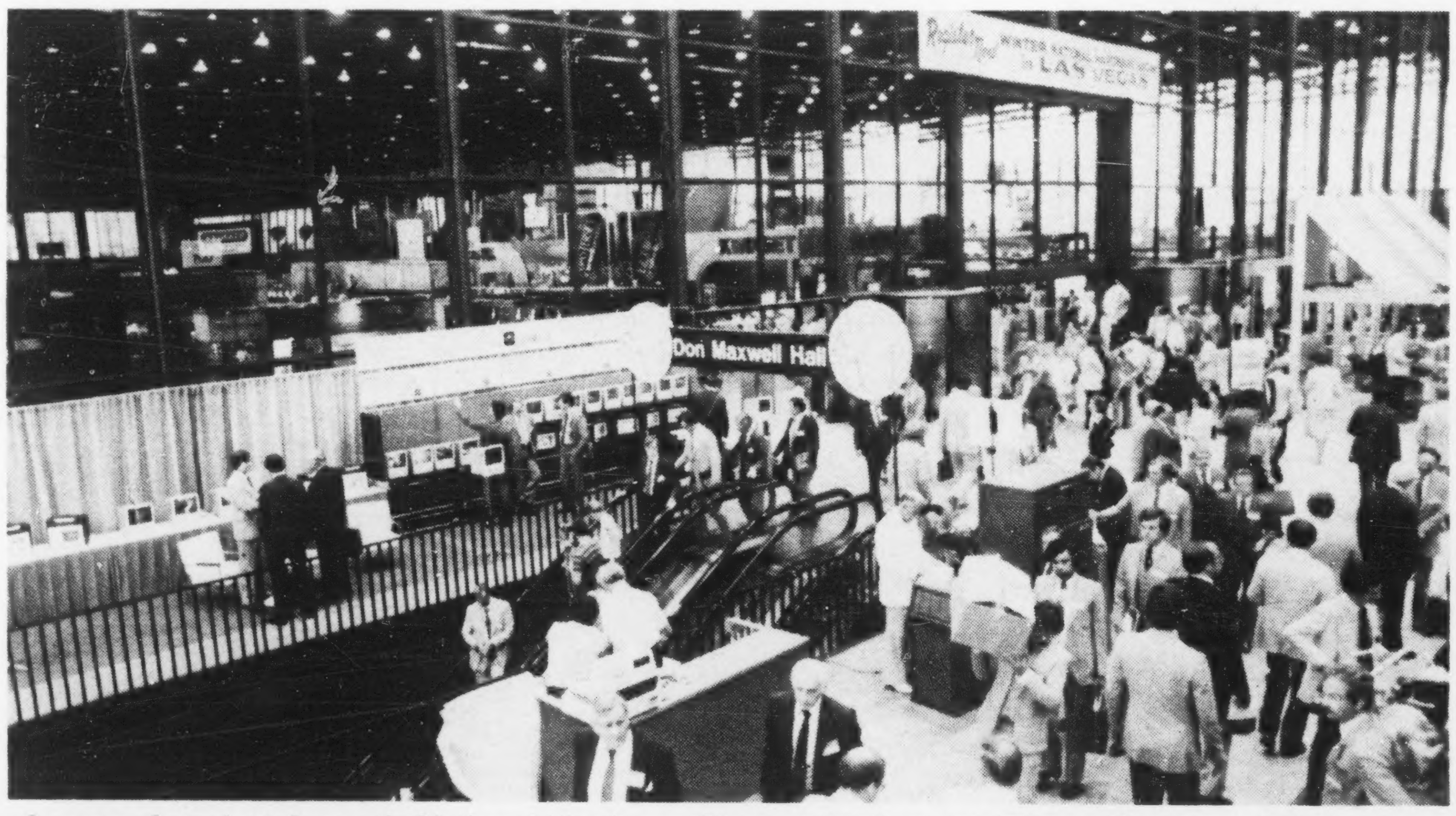
"This is one of the toughest times the hardware industry has ever gone through, and it's important for retailers and manufacturers to know each others' strategies, which is why our show's preregistration has gone past our goals," said John Bailey, director of public relations for Frank Barth Inc., the advertising agency representing Cahners Publishing, Chicago, which produces and manages both the winter and summer hardware shows.

Bailey said there would be over 900 exhibitors displaying their products within 200,000 sq. ft. at the Las Vegas Convention Center. While he would not reveal how many dealers and wholesalers have said they would attend, he noted that over two-thirds were from outside the Western States. Cahners' press literature estimates attendance to be around 30,000.

"In this industry, everything is done at the last minute, and we're expecting a hell of a lot of executives to sign up for the show in the next few weeks," he said.

Vance Publishing, Chicago, is counting on the majority of those home center executives to be signing up for its show as well, the eighth annual National Home Center Home Improvement Congress and Exposition. According to convention

(Continued on page 37)



A scene from last August's National Hardware Show at McCormick Place, Chicago, where banners beckoned attendees to register for the upcoming Winter National Hardware Show in Las Vegas.

Business leaders have high hopes that economy will improve in '83

NATIONAL REPORT—The Conference Board, which has queried business leaders on their economic expectations for the past seven years, indicated the results of a fourth quarter survey in 1982 are close to being the most positive in the survey's history.

Executives' expectations for their own industries and the overall economy are at an all time high as far as the outlook for the next six months is concerned, the survey found.

The business research organization surveyed 1,500 chief executives representing a cross section of business categories. The results indicated that the strongest expectations for 1983 profits are in retailing, nonbank finance, rubber, chemicals and electrical manufacturing.

The board's measure of business confidence (measured on a scale of 0-100) reached 60 at year-end, a figure which is 17 points above the year before figure.

Appraisals of the economic outlook rose in all but one industry (transportation), and executives' expectations for their own industries improved in all but two sectors (business services and mining).

The profit outlook perked up as business leaders anticipated a rebound in their industries' after-tax profits in 1983. According to the survey, 61% of the executives expected their profits to be higher in 1983 than in 1982, compared with only 42% who predicted an improvement in 1982.

"It is important not to read too much into this," cautioned Lora Collins, director of business conditions analysis at The Conference Board. "What the survey found is simply that a high percentage of the business leaders expect conditions six months from now to be better than current conditions—and the current situation in many industries is severely depressed."

METRO MARKET OUTLOOK

WILLIAMS-BURROWS INC.

A sampling of nine major metropolitan markets by NHCN *shows that while opportunities for growth still exist, most metro markets have become very competitively priced over the past year-and-a-half. Los Angeles, above, retains its No. 1 rank in building material and hardware sales (See Top 100 markets at right).*

Rise in housing starts lifts builder optimism

(Continued from page 1)

est rates and the economy generally has tempered their estimates for a strong gain in housing starts.

In a quarterly metropolitan housing report published in November by the NAHB, a total of 102 "metro forecasters" projected that housing starts in the nation's leading markets would increase by only 14.8% over 1982, and 5.6% above 1981 figures.

The greatest resurgences regionally are foreseen in areas where building fell sharpest, the report noted. The forecasters predicted starts in 29 major Western markets will increase 20.2% over 1982—more than any other region—but will still be 2.5% below 1981 levels.

In 21 North Central markets, starts are expected to surge 18.8%, the report said, but would also fall about 2% below 1981 figures.

The Northeast, "which never really recovered from the 1974-75 recession," according to market forecasts there, will see 1983 housing starts matching 1981 levels, with a 14.5% gain over 1982.

In the South, where Dallas-Fort Worth and Houston alone accounted for more than a third of all Southern metro-area starts and a fifth of all starts in the 102 metro-areas reporting nationally, new home construction is expected to rise 11.4% in 36 top markets. The South is the only region that shows an increase (2.0%) over 1981.

One reason some analysts are optimistic about the longer term outlook for housing nationally has been the marked decline in interest rates over the past several months, combined with the introduction of new money market fund accounts in December, by the thrift institutions.

The savings and loans, which saw a $25.5 billion net outflow of potential mortgage funds in 1981, and a $16.7 billion net outflow through November of 1982, are hoping the new instruments will make them more competitive with other financial institutions in attracting savings. Whether the new funds will actually be used for home loans remains to be seen, although their short-term nature makes it doubtful.

Nonetheless, analysts also point to the fact that contract mortgage loan rates have subsided from 14.61%, in November 1981, to 13.28% this past November, and that new home prices are even with last year.

The brighter outlook for housing is good news for home center chains.

While most chains pursued a course of increased productivity, rather than expansion, to maintain growth, during 1982, it is expected that the tighter controls and improved employee performance will reward chains with bolstered profits as the economy begins to expand in 1983.

A sampling of nine major metropolitan markets by *NHCN*, however, shows that while opportunities for growth still exist, most metropolitan markets have become very competitively priced over the past year-and-a-half.

Advertising has become extremely important for many independents and small chains in order to maintain competitive image with chain outlets, according to DIY dealers.

Moreover, dealers report that consumers, bombarded with the heavy promotions of all types of retailers, have become particularly price-conscious in shopping over the past year, exacerbating the need for promotional pricing.

Index

Charlotte .... Page 13
Colorado Springs .. Page 13
Milwaukee .... Page 16
Las Vegas .... Page 18
Baltimore .... Page 22
Los Angeles .... Page 23
Nassau/Suffolk .... Page 24
Orlando .... Page 25
Austin .... Page 25

Retail building material and hardware sales

1981 Rank	Metro area	Sales (in millions)	1980 Rank	1979 Rank
1	**Los Angeles/Long Beach**	$ 1,348.13	1	1
2	**Chicago**	1,163.39	2	2
3	**Houston**	959.71	3	4
4	**Detroit**	814.88	4	3
5	**Anaheim/Santa Ana/ Garden Grove,** Calif.	684.17	5	9
6	**Minneapolis-St. Paul**	643.16	9	6
7	**San Francisco/Oakland**	642.82	7	10
8	**New York**	629.87	6	5
9	**Washington, D.C.**	610.82	13	15
10	**Seattle/Everett**	610.46	8	12
11	**Riverside/San Bernardino/ Ontario,** Calif.	600.34	11	11
12	**Dallas/Fort Worth**	595.18	14	13
13	**Boston/Lowell/Brockton/ Lawrence/Haverhill**	579.27	12	7
14	**Philadelphia**	568.13	10	8
15	**San Diego**	548.44	15	14
16	**Denver/Boulder**	439.55	16	18
17	**San Jose,** Calif.	439.16	17	20
18	**Atlanta**	422.06	18	21
19	**St. Louis**	417.08	20	16
20	**Pittsburgh**	396.47	19	17
21	**Baltimore**	366.00	22	25
22	**Nassau/Suffolk,** N.Y.	365.17	21	19
23	**Sacramento,** Calif.	352.64	24	23
24	**Phoenix**	351.44	23	22
25	**Tampa/St. Petersburg,** Fla.	311.57	25	28
26	**Cleveland**	293.91	26	24
27	**Fort Lauderdale/ Hollywood,** Fla.	270.92	27	36
28	**Miami**	269.69	32	37
29	**Indianapolis**	267.34	31	30
30	**Milwaukee**	262.84	30	27
31	**Portland,** Ore.	258.69	28	31
32	**Newark,** N.J.	245.86	29	26
33	**Birmingham,** Ala.	242.79	34	38
34	**Kansas City**	241.59	37	29
35	**Cincinnati**	238.94	35	32
36	**Salt Lake City/Ogden**	234.66	36	33
37	**Oklahoma City**	233.45	33	39
38	**Tulsa,** Okla.	227.63	38	47
39	**Akron,** Ohio	213.47	39	35
40	**Columbus,** Ohio	211.98	41	34
41	**Greensboro/Winston-Salem/High Point,** N.C.	210.60	40	43
42	**Louisville,** Ky.	203.27	42	42
43	**Bridgeport/Stamford/ Norwalk/Danbury,** Conn.	198.27	43	40
44	**Grand Rapids,** Mich.	179.37	48	41
45	**Nashville/Davidson**	178.10	44	48
46	**Hartford/New Britain/ Bristol,** Conn.	172.72	46	46
47	**Austin,** Tex.	172.35	51	53
48	**New Orleans**	170.49	47	50
49	**Norfolk/Virginia Beach/ Portsmouth,** Va.	169.16	55	67
50	**Charlotte/Gastonia,** N.C.	168.87	50	54
	TOTAL TOP 50	**$20,396.85**		
51	**Santa Rosa,** Calif.	$ 167.24	52	51
52	**Greenville/Spartanburg,** S.C.	166.24	54	63
53	**Buffalo,** N.Y.	166.20	45	44
54	**Orlando,** Fla.	165.37	59	64
55	**Rochester,** N.Y.	162.02	49	45
56	**Johnson City/Kingsport/ Bristol,** Tenn.	161.45	56	58
57	**Memphis**	159.20	57	55
58	**Las Vegas**	158.72	60	65
59	**Knoxville,** Tenn.	157.38	58	59
60	**Baton Rouge,** La.	157.01	53	62
61	**Dayton,** Ohio	156.84	61	49
62	**Beaumont/Port Arthur/ Orange,** Tex.	155.11	62	72
63	**Jacksonville,** Fla.	154.17	63	66
64	**Fresno,** Calif.	145.19	66	60
65	**Bakersfield,** Calif.	144.10	70	78
66	**Des Moines,** Iowa	142.16	69	57
67	**Eugene/Springfield,** Ore.	141.36	64	76
68	**San Antonio**	139.27	68	74
69	**Albany/Schenectady/Troy,** N.Y.	138.75	65	52
70	**Providence/Warwick/ Pawtucket,** R.I.	135.39	71	56
71	**Lancaster,** Pa.	134.30	67	61
72	**Wichita,** Kan.	131.99	72	69
73	**Reno,** Nev.	126.77	81	85
74	**Mobile,** Ala.	126.36	73	83
75	**Richmond,** Va.	126.36	76	92
76	**Gary/Hammond/East Chicago,** Ind.	126.00	78	68
77	**Spokane,** Wash.	125.86	74	86
78	**Peoria,** Ill.	124.89	77	70
79	**Tacoma,** Wash.	122.14	79	89
80	**Wilmington,** Del.	121.62	75	88
81	**Fort Myers/Cape Coral,** Fla.	121.26	86	100
82	**Springfield/Chicopee/ Holyoke,** Mass.	119.99	84	79
83	**Salem,** Ore.	117.55	80	91
84	**Portsmouth/Dover/ Rochester,** N.H.	117.06	88	—
85	**Toledo,** Ohio	116.89	85	73
86	**Amarillo,** Tex.	116.21	87	112
87	**Allentown/Bethlehem/ Easton,** Pa.	116.08	82	75
88	**Lakeland/Winter Haven,** Fla.	114.74	91	103
89	**Northeast Pennsylvania**	112.83	83	71
90	**Charleston/No. Charleston,** S.C.	112.01	89	106
91	**Modesto,** Calif.	111.21	90	87
92	**Davenport,** Iowa/ **Rock Island/Moline,** Ill.	110.11	93	81
93	**Boise,** Idaho	108.01	95	97
94	**Madison,** Wis.	106.60	98	80
95	**New Haven/West Haven/ Waterbury/Meriden,** Conn.	106.55	94	82
96	**Albuquerque,** N.M.	106.36	92	94
97	**Flint,** Mich.	106.17	99	77
98	**Chattanooga,** Tenn.	105.00	96	105
99	**Worcester/Fitchburg/ Leominster,** Minn.	103.79	97	84
100	**Oxnard/Simi Valley/ Ventura,** Calif.	101.20	106	104
	TOTAL TOP 100	**$26,965.88**		
	PER CENT OF U.S.	**70.1055**		
	U.S. TOTAL	**$53,817.50**		

Source: Sales & Marketing Management

BEST AVAILABLE COPY

Charlotte's fast growth beckons home centers

CHARLOTTE, N.C.—This city of more than 314,000 is saddled with an identity problem: it has no national image.

With no professional sports teams or cultural centers, an admitted shortage in hotel rooms and, up until last spring, an antiquated airport, Charlotte remained the South's best kept secret, particularly by those who assess the South's business growth in terms of Atlanta or Houston.

However, Charlotte actually is the largest city in the fifth largest urban region in the United States, the Piedmont Crescent, which is bigger than the region in which Atlanta is located. The new Douglas Airport was completed in May, and Charlotte is beginning to attract large businesses that, in the past, would bypass it in favor of the better-known southern cities.

Through the first nine months of 1982, 202 companies created 4,299 jobs and invested over $295 million in Charlotte, according to its Chamber of Commerce. The market's SMSA had an unemployment rate for October of 7.7%, higher than its October 1981 rate of 4.8%, but considerably lower than the 10.8% national average or the 9.3% for the state of North Carolina. As a city, it ranks 11th nationally in wholesaling ($8.98 billion) and has over $20 billion in banking assets, compared with Atlanta's $15 billion. Yet, its no-name image persists.

"People and companies are always asking us for information on 'Charlottesville,' or Charlotte, S.C., or Charleston, W.Va.," said Tony Crumbley, the Chamber of Commerce's director of research. "We don't have anything the rest of the country immediately identifies with."

However, as far as home centers are concerned, Charlotte has already "arrived" as a competitive market, ranking 50th nationally in hardware and building material store sales ($168.9 million). Lowe's (three units), Handy City (two), 84 Lumber (three), Carter Lumber (three) and Moore's (four) all operate stores here and Hechinger has two stores scheduled to open April 1 on the northeast and south sides of the city. (This is Hechinger's first entry into the Charlotte market.)

Its new South Boulevard unit, down the street from Lowe's and Handy City stores, will be 61,000 sq. ft., according to the blueprints at the construction site. The 34-unit Landover, Md., chain is spending an estimated $1 million to renovate each of these stores, which were formerly part of the Zayre chain.

Construction crews gut a 61,600-sq.-ft. Zayre unit on the south side of Charlotte in preparation for one of two Hechinger units being built in the Charlotte market, scheduled to open April 1. NHCN photo

"Obviously, we view the Charlotte market as one with very strong growth potential," said Joan England, Hechinger's vp-sales promotion, adding that the chain selected the sites not because the Zayre stores became available but because "they were the right sites. We've turned down many sites in several cities because they weren't suitable to our needs." England did not wish to comment on how much Hechinger might spend in initial advertising, or where other Hechinger stores in the Charlotte market may crop up.

In anticipation of Hechinger's arrival, as well as of faster development throughout the Charlotte market, several other chains here have either physically revamped their stores or have made operational changes, including:

- Lowe's, which has converted its stores here to conform with the chain's "RSVP" remerchandising effort. At its South Boulevard unit, Lowe's tore down a 7,000-sq.-ft. showroom, built in 1966, and converted its 13,250-sq.-ft. warehouse into retail selling space. Dwight Pardue, executive vp-store operations, said this was done to give that unit more parking space and blend it into Lowe's push toward a greater DIY image;
- Handy City's two Charlotte units, which had six-month sales through July 1982, of $1,280,000 and $1,027,000, are being renovated to conform with their sister stores in the Handy Dan chain. This renovation will include raising gondolas from 5 ft. to 6 ft. and employing more bulk merchandising in the building materials and lumber departments. The conversion is expected to be completed by mid-January, but the chain's store in nearby Gastonia will not be renovated until after the first quarter of 1983, according to regional manager Tom Johnson;
- 84 Lumber has just moved into a new regional office, located right next to its Pineville, N.C., unit on the outskirts of Charlotte. A recent visit to the office revealed the paint was hardly dry on its walls—telephone wires were still being installed and the office had not been furnished completely. Regional manager Paul Beattie declined to comment on how extensive a region this new office would oversee, and refused to be interviewed on the Charlotte market or 84's position in it.

Most retail and manufacturing sources in Charlotte contend that the market is somewhat unique because there are no strong independent home improvement centers operating here.

In a more general vein, the Chamber of Commerce's Crumbley commented that Charlotte had a lot more going for it than "other, larger southern cities." For instance, the market's average household income is $26,500, one of the highest in the Southeast, while its housing costs hover around the $67,500 national average. He also noted that, unlike Atlanta, Charlotte has seen "more controlled growth." (It's SMSA population

(Continued on page 27)

The Charlotte market

Demographics

Population—650,400	**Population, aged 25-49**—36.7%
Disposable income—$5.78 billion	**Total retail sales**—$3.11 billion
Building materials/hardware sales—$168.9 million	

Source: Sales and Marketing Management

Housing Profile

	1983p	1982e	1981
Total housing starts	3,700	3,390	4,033
Per cent change from previous year	9.1	−15.9	12.1
Single-family starts	2,000	1,772	1,932
Per cent change from previous year	12.9	−8.3	−20.4

p—projected; e—estimated

Source: National Assn. of Home Builders

Price wars, building, help spur Rockies market

By Greg Puchalski
NHCN senior editor

COLORADO SPRINGS—Tom Watt, president of Brookhart's Building Centers, expresses no regret over the sale of his two stores here to Payless Cashways less than six months ago (*NHCN*, July 19, 1982) so his chain could concentrate on more rural Colorado markets.

"I could see the handwriting on the wall," Watt explained. "Payless was going to buy us or build more stores. When I see all the ads in the market now, I think we did the smart thing."

Watt is not alone in his feeling that the Colorado Springs market has become highly competitive, resulting in its home center shoppers becoming very price-conscious. In one sense, Hugh M. Woods president Randy Woods notes, that's not bad.

"The fact that there are price wars is creating a market itself," he said. "It makes up for too many competitors. People just start buying because of the prices."

Woods believes that Colorado Springs is overstored. He compares the area, where he operates one unit, with the Las Vegas market, where he plans to open two stores this year.

Nine consumer-oriented outlets, including Payless, Woods, Handy Dan, Pay 'N Pak, 84 Lumber and Sutherland Lumber, serve the Colorado Springs area's 331,500 residents while 10 DIY units serve nearly half a million persons in Las Vegas.

So, what's the attraction to this city on the Rocky Mountain's front range?

Simply, its growth and the area's potential for more growth.

In the 1970's, the city itself gained 80,000 more residents to 215,000. Not coincidently, housing starts, despite the national economy, have continued to increase from 3,050 in 1981 to a projected 3,450 last year and 3,750 this year, according to the National Assn. of Home Builders.

"The growth is well-publicized and will probably continue," said Ken Brosh Jr., whose family runs the area's most successful single-unit independent, Crissey Fowler Lumber. "The electronics industry is developing a liking for the area and we have a large military commitment here."

Fort Carson Military Reservation, Peterson Air Force, Base, the North American Defense Command and the Air Force Academy are examples of the armed forces interest in the area.

"An awful lot of people in the military come back here when they retire too," Brosh adds. No doubt, the scenic beauty and easily accessible leisure time activities are plusses in favor of a move to the area.

To prepare for an influx, for example, the Briargate Development Group is building Briargate, a community in the northeast section of Colorado Springs to house 100,000 persons. The group will build 600 homes this year and will eventually feature condominiums and multifamily dwellings as well, according to a spokesman.

Don't call them if you need a house in the area quickly, though. "We're sold out of lots until 1984," the spokesman said. "The builders can't build fast enough."

The National Assn. of Home Builders projected a 14% increase in single-family starts for 1982 to 2,980 units and an 11% rise this year to 3,300 units from the prior years for Colorado Springs.

While the market hasn't achieved its full potential yet, however, DIY retailers have flocked here.

"It's attracted the attention of those who were on the outside," a competitor pointed out. "They wanted to be here and I think the feeling was that you had to get in there now before the others."

Woods and Payless, in part, are examples of that thinking. Woods, opened its unit in the market less than a year and a half ago, and although Payless's original unit is well-established, the chain strengthened itself in the area with the Brookhart's purchase.

Competitors, however, cite Woods and the three Payless stores as the prime suspects in the Colorado Springs price wars.

"Those guys are paranoid about each other," said an area retailer. "They've lost all sight of what's prudent. It seems they don't care how much money they lose so long as they keep one step up on the other. This hurts everybody."

A recent price for ½-in. by 4-ft. by 8-ft. drywall at Payless was $2.19, another retailer related.

"Woods was the factor that caused most of it, but the big horse, Payless, won't let them play their game," a dealer said. "Woods seems to be selling way below cost. I think there's enough business to go around. Even the construction business is busier than ever."

"There are a lot of low-margin, high-volume-type outlets," Woods responded. "You have to have a reason for coming to us and that's price. It comes down to the others wanting to meet

(Continued on page 27)

The Colorado Springs market

Demographics

Population—331,500	**Population, aged 25-49**—36.5%
Disposable income—$2.5 billion	**Total retail sales**—$1.4 billion
Building materials/hardware sales—$74 million	

Source: Sales and Marketing Management

Housing Profile

	1983p	1982e	1981
Total housing starts	3,750	3,450	3,050
Per cent change from previous year	8.7	13.1	15.1
Single-family starts	3,300	2,980	2,610
Per cent change from previous year	10.7	14.2	13.5

p—projected; e—estimated

Source: National Assn. of Home Builders

METRO MARKET OUTLOOK

Retailers break virgin ground in Milwaukee

MILWAUKEE—For years, home center chains have shied away from this Lake Michigan market. Despite the presence of Grossman's, the home center concept has gone largely unrecognized here as consumers tended to follow the familiar tracks to local lumber and hardware outlets.

Now, however, DIY dealers are breaking ground in Milwaukee, not so much because its economy and outlook have improved dramatically, but because, perhaps more than anything else, it remains one of the last virgin home center territories in the country.

The long-standing reports that Menard's, the Home Depot of the upper Midwest, was planning to enter this market will bear fruit early this year when the Eau Claire, Wis.-based chain opens its first home center on the North Side of town. Dealers in the area feel that outlet will be the first of at least three Menard's units here.

Observers feel the tight-lipped, clandestine chain will rock Grossman's and two-unit Kelleys Sawmill, the predominant lumber and building materials retailers in Milwaukee, with its low-price orientation.

The fray may include newcomer Hal's, which continues its drive to carve a market of its own in Milwaukee in its first year of business with two units and plans for a third soon.

Other competitors to home centers in the market include Drexel, a division of Plywood Minnesota, which is strong in floor and wall covering and kitchen cabinets, 84 Lumber, General Lumber and Big Buck Building Center in Waukesha, Wis.

The Milwaukee market

Demographics

Population—1,399,200	**Population, aged 25-49**—34%
Disposable income—$13.1 billion	**Total retail sales**—$6.8 billion
Building materials/hardware sales—$262.8 million	

Source: Sales and Marketing Management

Housing Profile

	1983p	1982e	1981
Total housing starts	2,300	2,100	2,852
Per cent change from previous year	9.5	−26.4	−15.8
Single-family starts	800	700	1,045
Per cent change from previous year	14.3	−33	−22

p—projected; e—estimated Source: National Assn. of Home Builders

"Wherever Menard's is, there's a lot of price sensitivity," noted Bob Drumm, vice president of marketing for six-unit Kindt Corp., Lomira, Wis.

As for Milwaukee, he added, "It'll be war between Grossman's and Menard's."

The potential Grossman's-Menard's battle may heat up quickly: Menard's plans to locate across the street from one of the six Grossman's in the market.

Another target will be Kelleys, a short-lined, DIY-oriented dealer which regularly offers the lowest prices in town on a few selected items.

Competitors in the area say Kelleys has already challenged Menard's legally. Kelleys owner Bob Hunteman, who operated Yankee Builders until he sold out to Grossman's in the early 1970's, allegedly complained to authorities that Menard's violates a Wisconsin statute which prohibits a retailer from selling anything below a 6% markup. Hunteman could not be reached for comment.

"Kelleys won't be beat on those advertised goods," a dealer said. "He can't afford to lose the market on those items to Menard's, but Menard's offers so much more, they can just go around Kelleys."

Menards entrance into the market is not without potential pitfalls. The location of its first unit on the north side, for instance, has raised questions over whether the 21-unit chain can gain the kind of command it has in other markets.

Kindt's Drumm said if he had to locate in Milwaukee, he would choose locations on the south and west sides before the north side.

Another area retailer noted that Menard's location is "45 minutes from downtown" and is adjacent to the worst Grossman's location in the city.

Menard's outlet, now under construction, will be approximately 45,000 sq. ft., about half the size of normal, apparently to accommodate the prototype into smaller Milwaukee lots (*NHCN*, Nov. 8, 1982).

Hal's got a jump on Menard's here last year with its two stores and vice president Tom Gritz said the new chain is close to solidifying a deal for a third outlet which will feature the race track concept. Hal's officials started the company with veteran DIY executive financial backing after they noticed no pure home center competitors there.

After a shaky start, Gritz said the chain is now on line for $4 million-$5 million in sales in its first year of operations.

Hal's has been fine-tuning its operation (*NHCN*, Sept. 13, 1982) since its inception, lately with more of its own rather than manufacturer displays, discounts for local vendor employees and a television ad campaign that increased Hal's recognition. Gritz said Hal's plans more TV this year.

While Hal's moved into Milwaukee because of a lack of home center competition and Menard's may be moving in because it is a logical step in its upper Midwest strategy, other dealers have turned their backs on the market.

"Over the years, I know of several large chains which have determined Milwaukee is too competitive," with its strong independent outlets, said a local dealer.

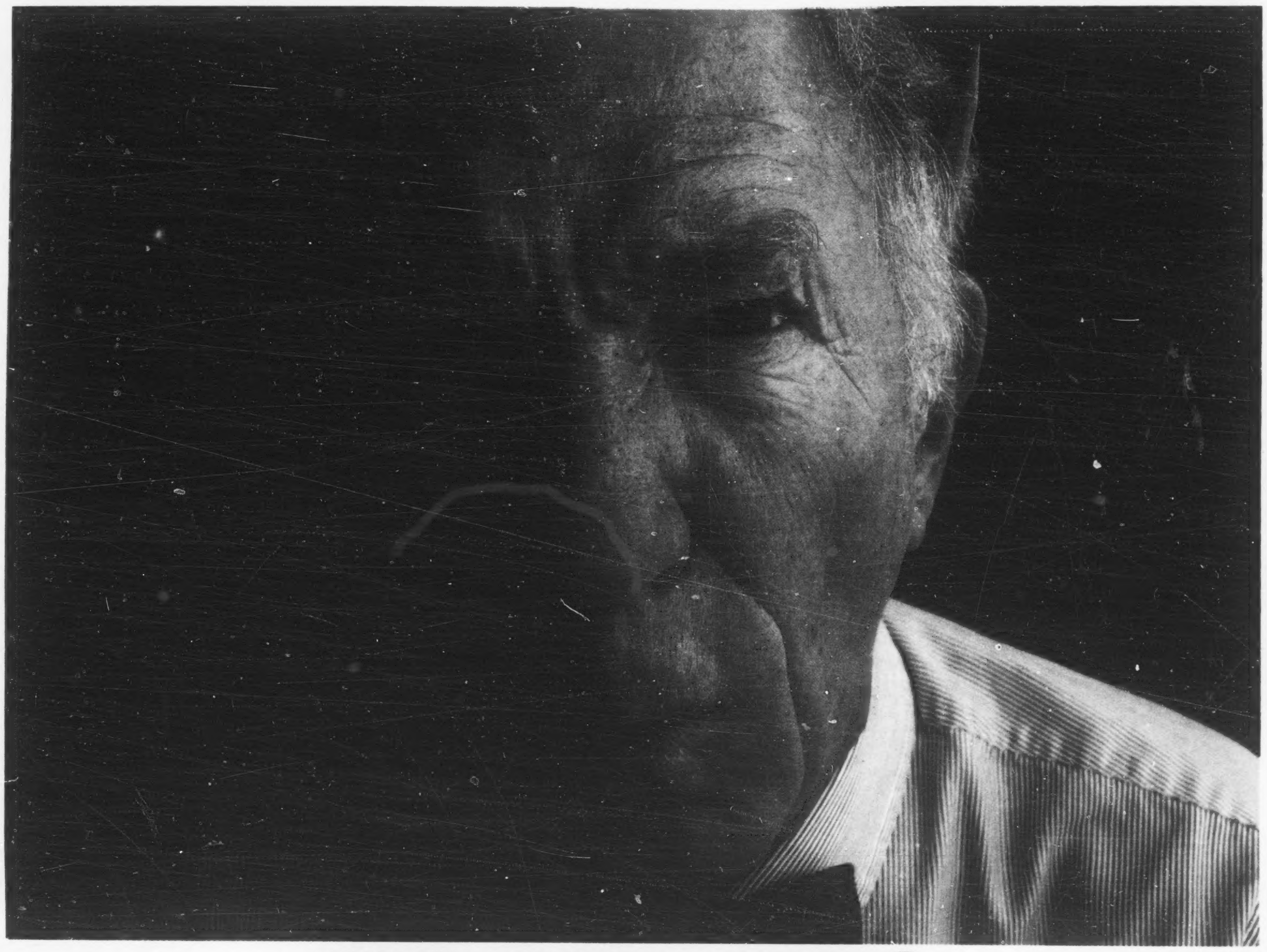
"Milwaukee has never been a boom economy either," noted Drumm.

"Milwaukee has all of the problems of the Midwest—highly paid skilled workers, an eroding industry base and no exciting industry."

Current economic conditions have not treated Milwaukee kindly either. Unemployment in October had reached 11.8% of the work force, according to the city's Assn. of Commerce. Dealers say consumers are cautious about spending because of area industry's temporary layoff pattern.

There has been some hope, however. The association also reported that in October, three indicators, building permits, mortgages and existing home sales, were above year-ago figures as a group for the first time in five years.

Milwaukee consumers are also price-conscious, according to Norm Darrer, regional manager for Grossman's."



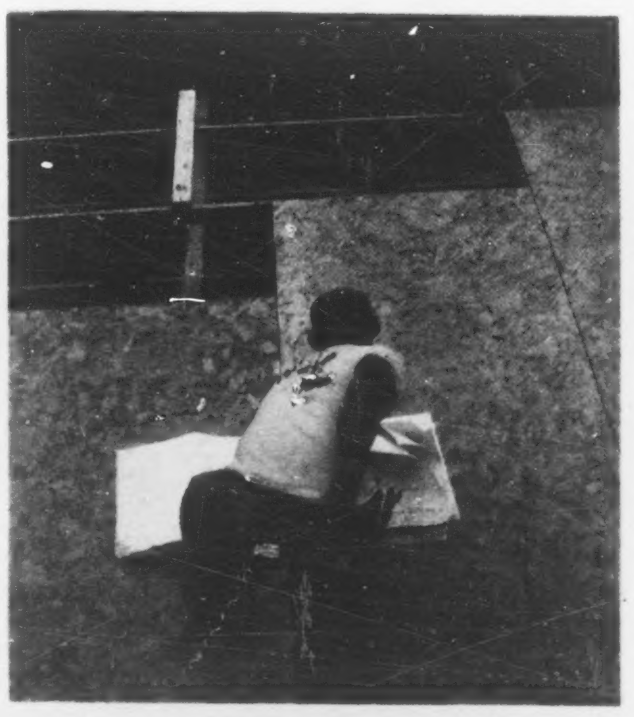
THE ONLY ONE?

It's true. Only one waferwood can make this statement:

L-P-Waferwood® is the only waferwood approved by the APA for their Sturd-I-Floor® system.

Which means there aren't any plywood jobs that L-P-Waferwood can't do. And it does them better.

It cuts and nails more like solid wood. It splinters less. It's smooth and uniform. (No knots, core voids, or patches.) And it's made in the U.S.A.



But the clincher is this. L-P-Waferwood costs less than plywood. A lot less.

No wonder it's the smart man's plywood.

L-P-Waferwood. It's the lightest, brightest waferwood made.

Stock it. For the name of your distributor, call our Chicago sales office, 312-397-8833. Louisiana-Pacific Corporation, Portland, Oregon.

LP WAFERWOOD
The Smart Man's Plywood

METRO MARKET OUTLOOK

DIY chains find Vegas is not recession-proof

LAS VEGAS, Nev.—The lights of the Golden Nugget, Caesar's, and the Sands still shine bright in this dessert oasis, but much of the local economic prosperity that characterized Las Vegas has lost its luster in recent months.

Although the growth potential of Las Vegas is strong enough to be drawing Hugh M. Woods this year, in the Denver-based chain's first move outside Colorado, other chain outlets, including Von Tobel's, Ole's Home Centers, 84 Lumber and Wickes, all of which moved into the market within the past five years, have found business conditions souring.

The combination of the recession and the growth of Atlantic City, N.J., as the nation's second major gambling casino town has hurt this area, retailers acknowledge.

"Las Vegas was always known as recession-proof," related Jim Martin, who recently moved back to the Ernst division in Seattle after serving as general manager of Pay 'n Save's Von Tobel's stores here. "That's now a fallacy."

Indeed, housing starts for the area were expected to total 7,000 for 1982, down from 7,500 in 1981. Single-family starts were expected to fall even more, from 4,365 in 1981 to an estimated 3,320 last year, the National Assn. of Home Builders reported.

While Las Vegas's housing starts were rebounding in the latter half of last year, the NAHB was still projecting relatively minor gains in starts for this year.

The Las Vegas Market

Demographics

Population—493,300	**Population, aged 25-49**—38%
Disposable income—$4.5 billion	**Total retail sales**—$2.9 billion
Building materials/hardware sales—$158.7 million	

Source: Sales and Marketing Management

Housing Profile

	1983p	1982e	1981
Total housing starts	7,110	7,005	7,500
Per cent change from previous year	1.5	−6.6	−6.1
Single-family starts	3,520	3,320	4,365
Per cent change from previous year	6	−23.9	5.4

p—projected; e—estimated

Source: National Assn. of Home Builders

Casinos have been forced to lay off personnel, resulting in a slightly higher unemployment rate in Las Vegas than Nevada as a whole, which recently reported a not-so-attractive 11.7% unemployment level.

These factors are likely contributing to a slowing in the growth of the population which increased metropolitan Las Vegas' total residents from 273,000 in 1970 to 462,000 in 1980. The area is just now nearing a half million people.

These factors are also likely contributing to the touble some companies are having in the market.

Three-unit Van's Builders Supply, a contractor-oriented company, is in Chapter XI proceedings and Wickes Lumber only last month shut its only store here in its Chapter XI-related closings.

"Basically, there was a big influx from a potential MX missile base here and the related Government contracts," said George LaGrange, division manager for A. C. Houston's Home Lumber chain. "This hasn't materialized."

For DIY retailers, however, the picture isn't entirely bleak. Take Hugh M. Woods and its officials' reasoning behind the impending expansion into Las Vegas.

"It's not as overstored as some of the other markets we looked at like Phoenix, Albuquerque, Salt Lake City and Kansas City," said president Randy Woods. "It would be too hard to build enough stores in Phoenix, for example, to serve that market.

"In Las Vegas, you build two stores and you almost equal in size the largest home center people there, and we could locate more stores there if we need to."

While the growth has slowed in Las Vegas, Woods still feels the market is more prosperous than other areas he viewed.

Woods said he plans to open his two units toward the end of the summer, and competitors here have expressed their interest and concern over the successful retailer's arrival.

Ernst's Martin is upbeat about the market, too.

"It's still attractive," he explained. "The Sunbelt is expanding and you'll see another boom here. There's a lot of space and it's very viable for the dealers."

Von Tobel's was founded in 1905, and Pay 'n Save has opened two more Von Tobel's since it purchased the company in 1977.

Ole's entered the market in 1980 with the purchase of Corb's Home Center. From all reports, Ole's has done well with its three units which are showing "a good growth trend," according to Ken Monson, a district manager for the chain.

A competitor called Ole's the strongest, most aggressive home center entity in the market.

Home Lumber, although only 40% of its sales is with consumers, is trying to carve out more retail volume, according to LaGrange. In its print advertising, the company has employed former baseball pitcher and now broadcaster Don Drysdale to plug the company and is looking into radio and television ads.

The chain, however, closed its north store to retail trade recently because "It did not lend itself well to retail business" and is concentrating on its manufacturing businesses there, LaGrange said. It is looking at expansion in the Henderson, Nev., area instead.

Other home center competitors include two Samon's Do-It-Yourself Centers, an 84 Lumber and a Pay 'N Pak which provides DIY competition in kitchen cabinets, plumbing and electricals.

The DIY marketers serve a community with typical do-it-yourselfers who are price-conscious.

"Until the economic crunch," Ernst's Martin said, "these people were not as price-conscious. It used to be they had a 'get it and go' attitude."

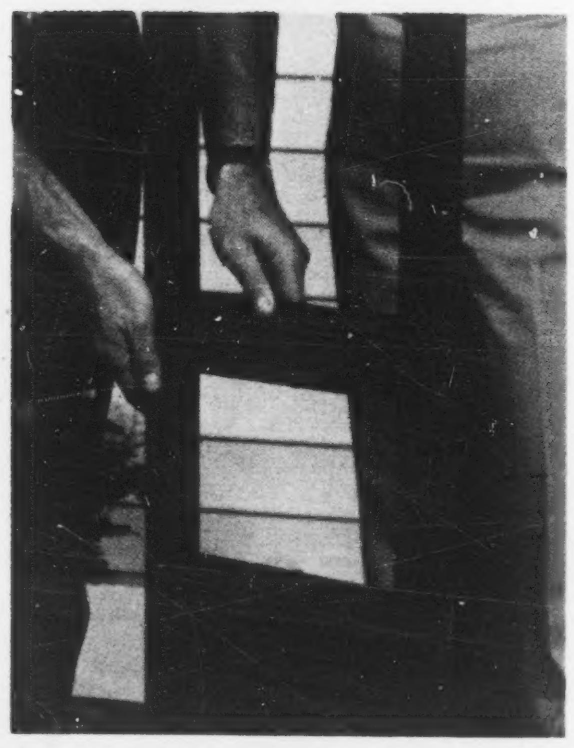
"People used to call and say, 'Send the plumber or the contractor out,'" LaGrange explained. "We get no inquiries like that any more. It's connected to the recession. People are watching their dollars more."

The nuances in the market include a significant number of apartments, which limit DIY home improvement activity, and mobile homes, which open up other sale opportunities for the stores, Ole's Monson said.

new Universal® Shutters ...always the right size!

Following simple instructions, consumers can easily adjust the Universal Shutter's length to fit their windows exactly.

You get...
More Sales
More Profits
Less Inventory
Less Floor Space



Correct number of louvers and center piece are inserted into side rails.

With this new concept in "do-it-yourself" shutter packaging, you need only 3 SKU's in each color to offer any size from 12" to 80." With no dead inventory, you'll always have the right size and right color, and never lose a sale. Packaged fully-assembled, the Universal Shutter can be adjusted easily by consumers to fit their windows exactly. A full complement of in-store sales aids includes complete stocking and selling displays. For complete details on this new shutter idea, call or write...

Mid-America Building Products Corp.
9246 Hubbell
Detroit, Michigan 48228
Phone (313) 838-4520

See us at
***Home Center Show** in Dallas*

After top piece is inserted, the finished shutters are easily hung in place.

Chains discover a new Baltimore

BALTIMORE—Until about five years ago this was undiscovered territory when it came to home centers.

"We really had the market to ourselves," said Tom Butz, general manager of The Hardware Fair, which has been doing business in Baltimore for about 60 years.

The Baltimore market

Demographics

Population—2.2 million

Population, aged 25-49—35.4%

Disposable income—$18.9 billion

Total retail sales—$10.3 billion

Building material/hardware sales—$366 million

Source: Sales and Marketing Management

Housing Profile

	1983p	1982e	1981
Total housing starts	8,810	7,290	6,520
Per cent change from prior year	20.9	11.8	−21.8
Single-family starts	6,510	5,260	5,370
Per cent change from prior year	23.8	−2.0	−20.7

p—projected; e—estimated

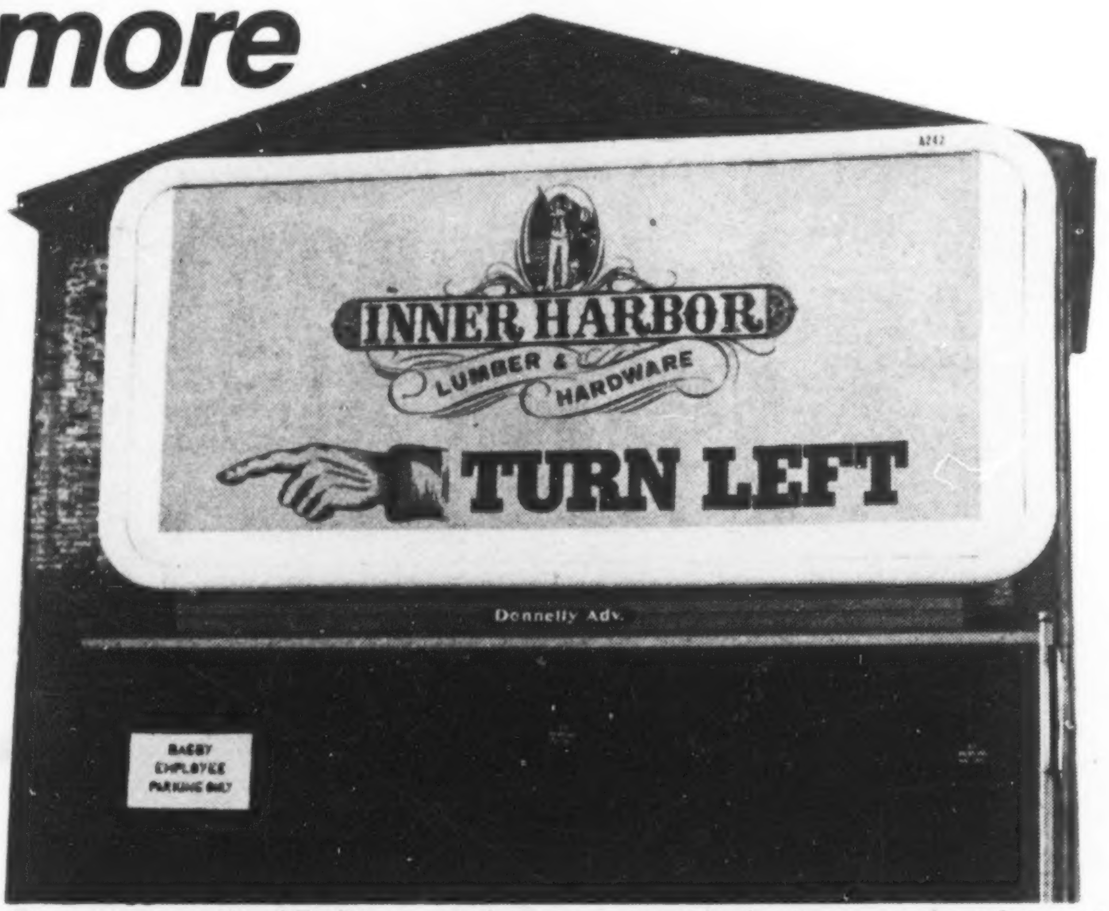
Source: National Assn. of Home Builders

In 1977 Hechinger entered the Baltimore market, where it now has five stores, including Annapolis. A few years later Mr. Goodbuys opened a unit south of the city and Inner Harbor Lumber and Building Materials was opened within the city limits. It has since opened a second store. When Scott's acquired Frank's Hardware in 1980, it added a Baltimore unit for a total of six in the metropolitan area. And rumors persisted last year that Channel was investigating several Woolco sites for a Baltimore debut.

The sudden home center activity has changed a relatively slow area into a highly competitive, price-conscious market where advertising is heavy and retailers are constantly looking for an edge.

"This past year has been one where everybody was shopping everybody else," said Scott's general merchandise manager, Charles Sullivan.

This rapid growth of home center activity occurred not only because the former lack of competition, but also because the city was changing.



Recent growth of Baltimore's home center industry was due, in part, to the resurgence of the city itself. Inner Harbor Lumber & Hardware was founded five years ago specifically to meet the renovation needs of city homeowners.

Through the 1960's Baltimore's story was similar to that of other industrial centers in the Northeast and Midwest. The core city was depressed and there was outward migration to the suburbs. When the nation's inner cities were rediscovered after the oil embargo of 1974 made commuting an extravagance, Baltimore had a large stock of substantial 19th century houses waiting to be revitalized.

A homesteading program offered depressed buildings for $1 and Government 7% rennovation loans were available. At the same time, the harbor area was developed into a waterside mall that now includes small shops, a food market, hotels, an aquarium and nearby convention center.

In short, life was breathed into the core of the Baltimore SMSA, a five-county area with a population of 2.2 million.

At the same time, Howard and Anne Arundel Counties, to the south, were developing as bedroom communities for Washington commuters. Of the existing units in Howard County, 70% were built since 1970; 23% since 1976, according to Bob Lefenfeld, who monitors building for Baltimore's Regional Planning Council.

He estimates that the Baltimore SMSA will require an additional 127,000 housing units over the next decade, or about 12,000 units per year.

While Baltimore has changed in image and fact, it still is not a Sunbelt city, and between 1970 and 1980 population only grew about 5%. Households, with more single individuals grew 21%. During the same period household income grew from $10,600 annually to $21,800. When inflation is removed, however, growth was only 4.4%, according to the Regional Planning Commission.

The intense home center competition may be related to the fact that while the pie has become somewhat more attractive demographically, it has not grown significantly.

Another factor was explained by Hardware Fair's Butz: "It's a blue-collar town," he said. "People wouldn't shop at a Hechinger because it's a chic place to shop. It's a down to earth place and you have to have the right price."

There are no high class department stores like Bloomingdale's in Baltimore. Malls for fashion-type stores are a recent phenomena. Layoffs have been heavy at G.M. and Bethlehem Steel. Unemployment is about 9.4%. Customers are shopping critically.

"We're all playing the advertising game," said Bob Heffner, manager of the downtown location of Inner Harbor Lumber and Hardware, which has two stores in the city, while most of the competition is in the suburbs.

"We keep our eye on what's advertised and at what price. Even if our customers are not

(Continued on page 29)

NEW

WEATHER STRIP Magic

CLEAR
REMOVABLE
SEALS OUT DRAFTS, COLD, WIND, RAIN
STOPS HEAT LOSS
SEALS 7 WINDOWS IN 7 MINUTES
Convenient, easy to-use
self-dispensing can

E-Z ON
E-Z OFF

We've done it again! Another new product that really works like **Magic** ... one that everyone needs!

EASIEST-TO-USE Weatherstrip on the market . . . a touch of the finger applies a smooth, clear continuous bead of protection against drafts, cold, wind and rain. Strips off like a rubber band at the end of the season.

PACKAGED TO SELL . . . colorful, self-selling graphics show your customers exactly how the product works and how great a value it is.

SPECIAL DISPLAY with HEADER . . .
12 cans come in a pre-packed display carton with an attractive header card to stimulate impulse sales.

DON'T WAIT ... ORDER
WEATHER STRIP MAGIC TODAY
AND CASH IN ON THE FAST SALES
OF THIS "HOT" NEW PRODUCT!

Part No.	UPC No.	Case Pack	Shp. Ctn. Wt.
MX83	70048-13248	12	15 lbs.

Magic
MAGIC AMERICAN CHEMICAL CORPORATION
23700 Mercantile Rd., Cleveland, OH 44122 (216) 464-2353 TOLL FREE 1-800-321-6330
(outside Ohio)
"A TOUGH ACT TO FOLLOW"

Los Angeles fueled by DIYers as homeowners seek to upgrade

By Brad Altman
NHCN West Coast editor

LOS ANGELES—Housing starts plummeted nearly 50% last year in the Los Angeles-Long Beach metro market, to 11,500 units—the lowest level since World War II, when such statistics were first collected.

For the most part, however, home center operators in this market did well in 1982 despite the lackluster economy.

"This market has lacked zest," one industry observer commented, "but it was anything but dull."

Home centers appear to be reaping the benefits of southern California's housing depression. Home owners are staying put, fixing up their older homes rather than moving up to more costly housing.

In the Los Angeles-Long Beach metro market, the dominant home centers, independent and chain alike, are nearly all 100% consumer oriented, and not dependent on business from the severely depressed construction industry.

Los Angeles County is often cited as one of the nation's most sophisticated and competitive home center markets. The county, with 81 cities—the most populous being Los Angeles and Long Beach—and a population of nearly eight million, is No. 1 nationally in building materials and hardware store sales ($1.35 billion, according to Sales & Marketing Management survey, July 1982).

For 1982, there appeared to be a pause in the county's ongoing DIY war as the major players retrenched from the battlefield or attempted to nurse their own wounds.

Most embattled was 62-unit Builder Emporium ($160 million 1982 est. sales), which operates more stores in the county than any other home center chain—25 units. While BE's parent, Wickes Cos., began reorganizing under Chapter XI of the Federal bankruptcy laws, BE was "making a resurgence with the support of new corporate management," according to a company official.

Despite its financial woes, BE continues to be one of the nation's leading home center television advertisers, using Wickes' chief executive Sanford C. Sigoloff as its TV pitchman in two innovative commercial spots last fall.

However, two other chains are also aggressive TV spenders—Ole's Home Centers ($188 million 1982 est. sales), with 14 of its 33 stores in the county, and National Lumber ($100 million est. sales), which operates six of its 12 warehouse-style outlets in the county.

Both BE and National Lumber are headquartered in nearby Orange County, in the cities of Irvine and Santa Ana, respectively; Ole's corporate offices are in Pasadena in Los Angeles County. Another major Los Angeles-based chain is W. R. Grace's Angels, in the City of Commerce ($96 million 1982 est. sales), which operates nine of its 15 stores in Los Angeles County.

The breadth of the Los Angeles County home center market extends to strong regional chains, such as Neiman-Reed's Lumber City, headquartered in the San Fernando Valley suburb of Sherman Oaks. Its 13 units generated $50 million sales last year.

Gardena-headquartered Homeowners DIY Centers, a five-unit chain, had 1982 sales of $28 million. Rounding out the county's top home center operators are two strong family-owned, single-unit independents, All American Home Center in Downey ($21 million est. sales), and Sackett & Peters, Whittier ($20 million est. sales).

One other major chain—San Diego-based Handyman—has two stores in the county—Northridge and Lakewood. Seven-unit LP Home Centers, in contrast, is headquartered in the Los Angeles County city of El Segundo, but its retail outlets are located in the neighboring counties of Ventura and Orange.

Home center operators in Los Angeles County found success with strikingly different merchandising philosophies in 1982. National Lumber, the high-volume, low-overhead operator which produces sales of about $10 million per unit, continued to set the pace in price points. Strong independents, including Chandler Home Center in Van Nuys, have carved out a niche by countering the "low-ball pricing and no-help image" of some home centers by going after the customer who is willing to pay more for sales personnel assistance.

For 1983, Los Angeles area home center operators report that they are cautiously optimistic that the long-awaited recovery from the recession will begin.

According to the National Assn. of Home Builders, total housing starts in the Los Angeles-Long Beach market will be up by 13% from 1982, to 13,000.

(Continued on page 29)

The Los Angeles market

Demographics

Population—7.6 million
Population, aged 25-49—35.8%
Disposable income—$74.7 billion
Total retail sales—$36.2 billion
Building materials/hardware sales—$1.3 billion

Source: Sales and Marketing Management

Housing Profile

	1983p	1982e	1981
Total housing starts	13,000	11,500	21,768
Per cent change from previous year	13	−47.2	−24.3
Single-family starts	4,000	3,500	6,368
Per cent change from previous year	−14.3	−45	−23.4

p—projected; e—estimated

Source: National Assn. of Home Builders

Universal
MULTI-PURPOSE
FENCE
POSTS
Handy for the
YARD, FARM,
COMMERCIAL,
INDUSTRIAL
USES

HEAVY DUTY
LIGHT DUTY

THIS TAPERED DESIGN MAKES OUR POSTS STRONGER

For Erecting All Types of Fences Around The Farm
For Erecting Pet Enclosures
For Erecting Snow Fences
For Mounting Insulation On Electric Fences
HOMES
NOW ON DISPLAY
For Mounting Real Estate Signs
19
For Mounting Markers
Use As A Tree Stake
For Erecting Garden Fences
Posts For Swimming Pool Fences
For Erecting Play Yard Areas
For Building Patio Fences And Holdings Insect Lights
Yellow Tip
U.S. MAIL
U.S. MAIL

Steel City
CORPORATION
190 NORTH MERIDIAN RD.
YOUNGSTOWN, OHIO 44501
PHONE (216) 792-7663

More products from Steel City in colorful display cartons

U.S. RURAL MAILBOXES
Steel
Standard Model No. 1
7 COLORS
Also larger models
No. 1½ • No. 2

Village Barn
Structural Polyethylene
Lockable or solid door
Black or red roof

Steel
Black or white
Streamliner

Steel MOUNTING POSTS
5ft • Black • Fits all Rural Mailboxes
DRIVE - N - MOUNT
DRIVING ADJUSTABLE STEEL
POST - L - POST
STEEL
COUNTRY SQUIRE
WROUGHT IRON

VERS-A-LEGS
Steel, folding sawhorse LEGS

NAME & NUMBER KIT
Make name plates for rural mailboxes

HANG TUFF
Adjustable TOOL HOLDER

Steel
WORKBENCH LEGS

METRO MARKET OUTLOOK

Independents have strong grip on Long Island

By John Caulfield
NHCN associate editor

LONG ISLAND, N.Y.— This 120-mile stretch of land, with its labyrinthine highway network, densely populated cities, and proliferation of enclosed shopping malls and flea markets, is also one of the most fiercely competitive markets for home improvement retailing.

The Nassau-Suffolk market

Demographics

Population—2,615,300	**Population, aged 25-49**—34.4%
Disposable income—$28.42 billion	**Total retail sales**—$13.4 billion
Building material/hardware sales—$365.2 million	

Source: Sales and Marketing Management

Housing Profile**

	Jan.-July 1982	Jan.-July 1981
Total housing permits	2,106	2,906
Single-family permits	1,500	1,997

**Six-month figures, subject to between 10%-20% variation because of non-construction following issuance of permit.

Source: N.Y. State Division of Housing and Community Renewal

Chains like Pergament (with 22 of its 40 home centers operating in Nassau and Suffolk counties), Channel, Rickel, Grossman's and 84 Lumber have found that, unlike most parts of the country, smaller chains and firmly entrenched independents have a strong grip on the markets they serve, making it difficult for the larger chains to get a foothold in the area.

"Nassau-Suffolk was built up town by town and each area has its own strong hardware store and lumberyard," said Robert Pergament, executive vice president of the Melville, N.Y., chain.

He added that with the development of the major shopping malls that dot many areas of Long Island's geography on top of the competitive pressure from independents, Nassau and Suffolk—the two counties dividing Long Island—probably represent "the most oversaturated retail market in the country."

An executive for another chain with stores here complained that the market was so price conscious that "home centers must be extra sharp on promotion, and a company's market share depends on who's promoting what that week. We have a different price zone on the Island from our other markets, and I'll tell you we've 'taken our pants down' on quite a few items just to keep up sales." He described Long Island consumers as "clique-ish; once they decide not to shop your store, no amount of advertising will change their minds."

He conceded, though, that because of the area's media isolation from New York City, New Jersey and Connecticut, Nassau-Suffolk has served his chain well as a test market.

This geographic autonomy also extends to many of the area's demographic characteristics, and makes Nassau-Suffolk one of the more diverse, yet active, retail areas in the country:

—According to Saul Finkel, a labor market analyst for the state's Dept. of Labor, Long Island division, Nassau-Suffolk is the largest SMSA in the United States, but has not a single city with a population over 50,000. The market's total population exceeds 2.6 million and it ranks as the fifth most densely populated SMSA in the country, with 2,181 people per square mile;

—Finkel added that while one-third of Nassau County's and 10% of Suffolk County's residents commute to New York City, the market remains the third largest job market in the nation, with 900,000 positions here, and its 1.3 million labor force is New York State's second largest. The unemployment rate for the Island in October—the latest period reported at presstime—was a relatively low 6.5%;

—In Nassau County, the town of Levittown came to symbolize the "planned community" and the affordable suburban sprawl experienced by much of the country in the 1950's and 1960's. Now, only extremely high-priced condominiums and custom homes, ranging from $200,000 to $2 million, are being built.

"Our housing market has never fully recovered from the 1974-75 recession, and there is virtually no middle income housing being built in Long Island now," said Jerry Morgan, a business reporter for *Newsday*, the dominant half-million circulation daily newspaper on Long Island.

—Nassau and Suffolk Counties, as an SMSA, rank 11th nationally in disposable income ($28.4 billion) and total retail sales ($13.4 billion), according to *Sales and Marketing Management*, while having the third highest median household disposable income in the nation, $30,243.

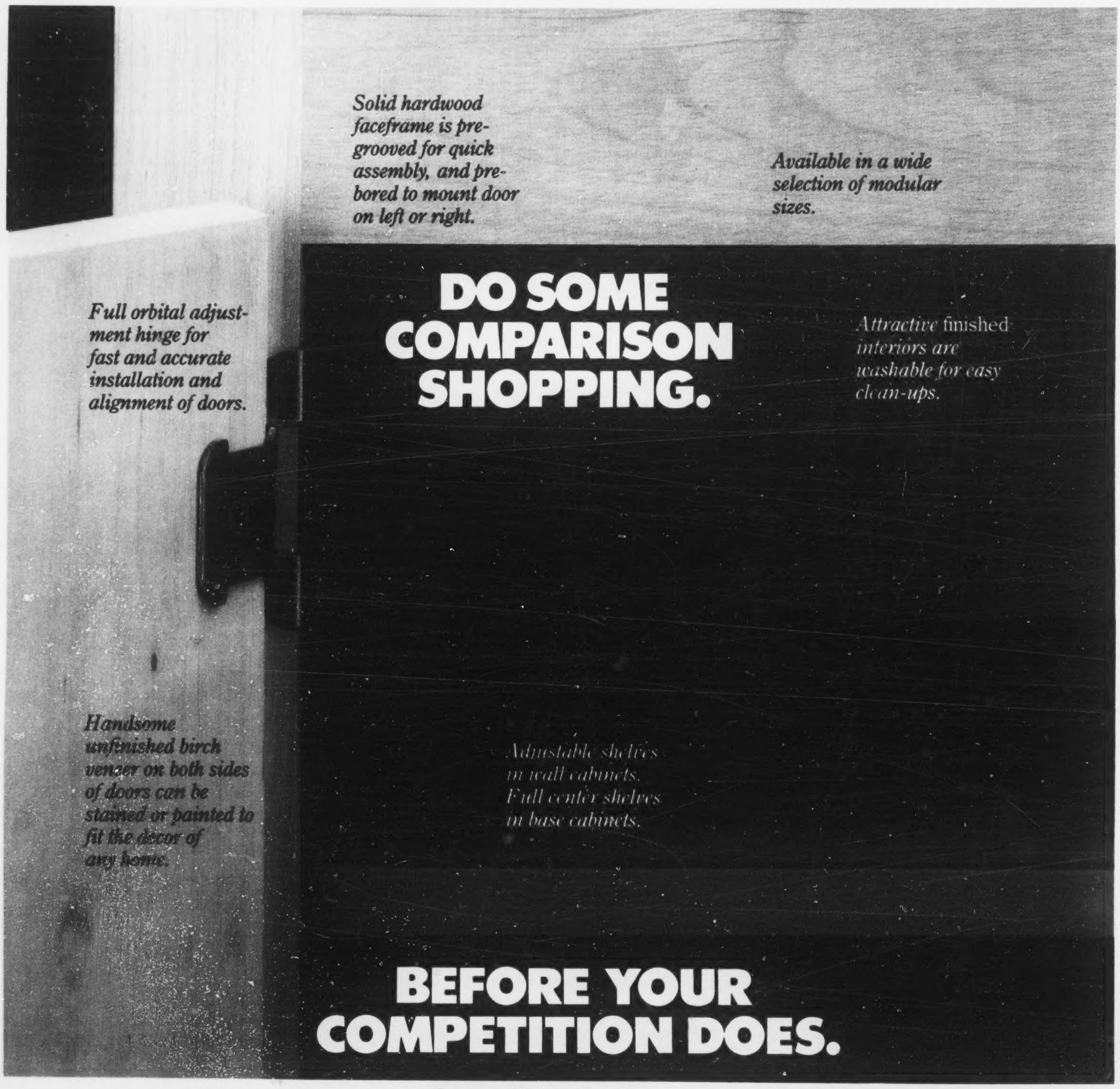
Interestingly, the market's retail consumer is viewed quite differently by executives of home center chains and their independent counterparts. The chains perceive customers as shopping price only and as strongly affected by advertising; the independents, on the other hand claim the Nassau-Suffolk consumer is loyal, looking for quality and service.

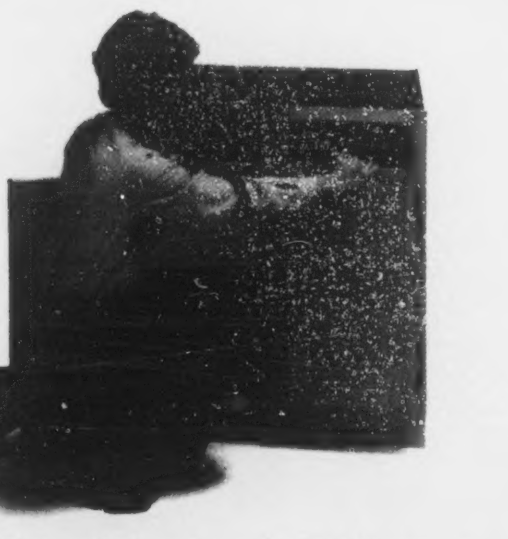
"One of the major reasons independents are strong here is the consumer psychology that demands service from home improvement stores, which is something the chains aren't set up to provide," said Marc Paulenoff, vp for the three-unit Macrose Industries in Massapequa. "When you have the big boys in your market, you have to go after their weaknesses, which is what we do with better services."

Besides Pergament's stores, there are eight Channels, six Rickel's, six Nassau-Suffolk Lumber units, three Grossman's and a single 84 Lumber in the Nassau-Suffolk market.

Ken Latham, president of the two-store Latham Bros., Port Washington, said that, in conversation with several local lumber dealers, he found the chains' influence through advertising and promotion in the market has been minor, espe-

(Continued on page 36)


Solid hardwood faceframe is pre-grooved for quick assembly, and pre-bored to mount door on left or right.
Available in a wide selection of modular sizes.
Full orbital adjustment hinge for fast and accurate installation and alignment of doors.
DO SOME COMPARISON SHOPPING.
Attractive finished interiors are washable for easy clean-ups.
Handsome unfinished birch veneer on both sides of doors can be stained or painted to fit the decor of any home.
Adjustable shelves in wall cabinets. Full center shelves in base cabinets.
BEFORE YOUR COMPETITION DOES.



Assembly is quick and easy. All holes are pre-bored. A screwdriver is the only tool needed.

Compare the quality of Long-Bell's SpaceCraft cabinets with the other domestic unfinished lines.

You can feel the difference SpaceCraft's rigid construction makes. We use the same methods and the same tight tolerances as fine furniture builders in manufacturing SpaceCraft cabinets.

Yet SpaceCraft is an outstanding value. It sells at prices comparable to the other American-made lines. But it's a *much* better cabinet. Perfect for laundry room, workshop, family room and all storage needs throughout the home.

Your customers will appreciate SpaceCraft's value and versatility immediately. *Unless your competition buys it first.*

Call Bob Santella, vice president, marketing, and get the whole story on SpaceCraft cabinets and the strong merchandising program behind them. **1-800-426-8642**

LONG-BELL CABINETS
Longview, WA / Millis, MA

METRO MARKET OUTLOOK

Hi-tech influx transforming Orlando market

By Kenneth Schept
NHCN senior editor

ORLANDO, Fla.—When Walt Disney turned 28,000 acres of central Florida swamp into a Magic Kingdom in 1971, nearby Orlando was still a sleepy town with little industry.

Mickey Mouse and company soon lured millions of tourists, however, and the city achieved an identity. With Cape Canaveral 45 miles due east, electronic- and aerospace-related companies also saw Orlando as an attractive place to be.

Between 1970 and 1980, the Orlando SMSA grew in population from 428,000 to 700,000, according to Commerce Dept. figures. Research by the University of Florida, Gainesville, determined that almost 90% of that growth was due to migration, probably because of the availability of jobs.

In 1982 alone, 12,000 jobs and 4 million sq. ft. of industrial space were expected to be added to the SMSA, which includes Orange, Seminole and Osceola Counties. The year ended with an unemployment rate of 7%, several points under the national average. The figures are from the Industrial Development Commission of mid-Florida.

New industry has brought new wealth. Median family income rose from $12,700 in 1976 to $20,200 in 1981, according to the Central Florida Planning Commission.

"A hell of a lot of people are coming in bringing engineering, hi-tech salaries and kicking the figure up fast," said Bill McCarty, Oceola County industrial and commercial development director.

Just as California has its Silicone Valley, "Orlando is becoming what some people have laughingly called the Silicone Swamp," McCarty said.

Housing the new migrants, mostly from the North, can mean significant business and Orlando home centers are not slumbering. They were particularly jolted last year by rumors that Atlanta's promotionally oriented, warehouse-type operation, The Home Depot, was planning to enter the Orlando market.

When that chain opens two units early this year in the Orlando market, it will join the 9 Scotty's, 4 Handy Cities, 3 Lowe's, 2 84 Lumbers and 1 West store in the quest for Orlando's building material and hardware sales, which amount to $165.3 million annually, according to Sales and Marketing Management.

The stakes are particularly attractive because they are growing. While total housing starts in the area have not been immune to the nation's recession, the National Assn. of Home Builders expects an increase in single-family units of 15.1% to 6,950 this year.

The housing trend is clearly seen in multifamily starts, which numbered 377 in 1977 and 3,549 in 1981, according to the Central Florida Regional Planning Commission. The surge resulted from the demand for apartments and condominiums created by new workers, according to McCarty, who said there is currently a multiunit shortage.

Until now, Scotty's, which recently opened its 100th store in Florida, has dominated Orlando, a market it entered during the 1950's, when the chain was still called Home Builder Supply. But even Scotty's is preparing for the arrival of The Home Depot with more advertising, deeper inventory and sharper prices.

Handy City, with fewer stores and a shorter history in the market seems more vulnerable to a Home Depot assault. By late last year, the chain had completely revamped two of its Orlando stores, casting off a neat, open appearance for a more bulk-oriented image to compete on its competitor's terms.

Gondolas have been raised from 54 in. to 6 ft. The sku count has risen from about 16,000 to over 20,000 and inventory per store was reportedly increased from $1 million to about $1.8 million in just two months.

Merchandising changes include the elimination of automotives and most housewares and an increase in seasonal items with a nearly 2,000-sq.-ft. outdoor nursery that includes trees. The stores are also stocking more Southern yellow pine dimensional lumber to obtain a sharper price point. Previously only syp studs were carried. The rest of the dimensional stock was Western.

The chain's effort to re-enforce its presence in the Orlando market also includes a Saturday morning Handy City Handyman Hour on the radio, during which Handy City manager John Coen answers questions from callers with DIY problems.

Staffing levels in Orlando stores have reportedly been beefed up to 1,200 hours per week from 850 to 900 hours in Atlanta units, by comparison.

What effect all this effort has had on the bottom line is not yet clear, but without question W. R. Grace's home center division is closely watching the performance of these Handy City units. The Orlando stores have been among the chain's strongest, with an average annual volume of about $3 million.

Store No. 206 in Altamonte Springs, on Route 436 a few miles away from a Home Depot location north of Orlando, reported net sales of $1,515,905 for the six months ended last July. Its remodeling was completed just before Thanksgiving.

COMING SOON
THE HOME DEPOT
Florida's...
DO-IT-YOURSELF
WAREHOUSE!
COMING SOON
DO-IT-YOURSELF
WAREHOUSE!

The Home Depot's planned market entry should jolt competition among Orlando home centers.

Without waiting for definitive results from the remodeling, Handy City is already refitting its Atlanta stores in the new, Home Depot-type image. The elimination of the chain's headquarters in that city and consolidation of buying with Handy Dan, San Antonio, could bring economies of scale needed to better compete with Home Depot both in Orlando and Atlanta.

Scotty's has not prepared as dramatically for Home Depot's Orlando entrance. But industry observers in the market note Scotty's long experience there, its blanket of stores and reputation for sharp pricing. Many also say, however, that Scotty's lost ground to Home Depot.

"Those are fairly new stores," Harold Taylor, Scotty's senior vice president, said of the chain's Fort Lauderdale units. "They may not have come back from the recession as well as other areas."

"We're not losing sales to The Home Depot. We've been down some in the gross, but we've learned from that. We're going to deal with Home Depot as we would any other competitor. With our buying advantage we can buy as well as they can," Taylor said.

Jim Cruse, manager of Scotty's East Colonial Drive unit, just several hundred yards from the eastern limit of Orlando, said that DIY sales, about 70% of his business, were up 15% last year. Total sales for the store reached about $5 million.

"All stores in the area are carrying more merchandise than before," according to Cruse, who said his inventory had increased 35% to 40% since July.

Of the large chains best represented in Orlando, Lowe's has least reacted to the Home Depot threat.

Al Keeling, manager of Lowe's Maitland store, just north of Orlando, noted that the entrance of Home Depot had been discussed, but no specific strategy has been planned.

"We haven't really taken any serious action to outwit anybody," Keeling said.

The volume of his store is 80% contractor so it would seem less vulnerable to Home Depot's competition. Still, the unit is one of the stronger ones in the 235-store chain and will do about $8.5 million in sales for 1982.

At only 20% of the total volume, DIY sales still account for about $1.7 million. And in June the unit is scheduled for conversion to a modified RSVP format that may add 3,000 sq. ft. to its 10,000 sq. ft. of sales space.

Five months ago Lowe's opened its third store in the Orlando market in Kissimmee, Osceola County, south of Orlando near Disney World, a rapidly growing area where Scotty's opened a unit about two years ago.

According to Keeling, the new Lowe's, an RSVP unit, is now producing monthly sales of about $500,000.

West and 84 Lumber, with only three stores between them in the area, are less of a factor in the retail building supply market as are Orlando's indepen-

(Continued on page 29)

The Orlando market

Demographics

Population—474,400	**Population, aged 25-49**—34.1%
Disposable income—$6.28 billion	**Total retail sales**—$3.9 billion
Building materials/hardware sales—$165.4 million	

Source: Sales and Marketing Management

Housing Profile

	1983p	1982e	1981
Total housing starts	10,660	9,540	10,340
Per cent change from previous year	11.7	–7.7	–3.6
Single-family starts	6,950	6,040	6,720
Per cent change from previous year	15.1	–10.1	–13.3

p—projected; e—estimated

Source: National Assn. of Home Builders

Chains bring competitiveness to a revitalized Austin market

AUSTIN—Austin, in the midst of restoration in its capital district and a homebuilding boom spreading through its outskirts, has become fertile territory for home center chain outlets.

With $3 billion in retail sales, a population of 568,400, a housing market expected to grow more than 14% in 1983, and new business such as Lockheed Corp., Motorola and Abbott Laboratories locating in town, a new wave of home center chain outlets have been attracted to the Austin market.

Chain stores are nothing new to Austin: Wickes opened an outlet here in 1969, followed by 84 Lumber six years ago, and Homer's four years ago. But it wasn't until about three years ago, when Handy Dan opened the first of three stores here, that the competitive complexion began to intensify. Furrow arrived two years ago, and now has two stores as does Standard Brands which first broke into the market in 1981.

While retailers in Austin agree that there still seems to be room for all the major players, "The climate of business changed in Austin with the onset of the chains; there are very few independent lumberyards left in Austin," said Walter von Merz, president of The Walter Tipps Co., a local hardware wholesaler.

"In the beginning, we had the DIY business to ourself, and Calcasieu Lumber [formerly Calco] and Stripling Blake had the contractors," said Jon Wallace, manager of the Burleson Road McCoy's store, one of four in the market today. While McCoy's building material emphasis is suitable for both the builder and the DIYer, its cash-only policy tended to propel its consumer business, in deference to builders. With the coming of the larger chains, Wallace noted the biggest impact was on advertising.

McCoy's had to increase its tabloids to twice a month from a monthly schedule to stay competitive in the eyes of the public. It has also had to sharpen its pricing.

The intensified competition, however, has bred a new, more sophisticated shopper in Aus-

(Continued on page 26)

The Austin market

Demographics

Population—568,400	**Population, aged 25-49**—36.4%
Disposable income—$5.4 billion	**Total retail sales**—$3 billion
Building materials/hardware sales—$172.3 million	

Source: Sales and Marketing Management

Housing Profile

	1983p	1982e	1981
Total housing starts	14,239	12,433	11,563
Per cent change from previous year	14.6	7.5	20.5
Single-family starts	7,380	6,709	6,109
Per cent change from previous year	10.0	9.8	–3.9

p—projected; e—estimated

Source: National Assn. of Home Builders

Austin's growth attracts chains

Local builders mix with consumers in high-end bath and hardware display at Austin's Stripling-Blake.

and other items not stocked on the sales floor

McCoy's Dick Perrone, store development manager, Jon Wallace, manager, and Dan Bowman, assistant manager remodeling the chain's five-year-old Burleson Road store.

(Continued from page 25)

tin. Wallace observed: "People are more price conscious here than before: They use the phone a lot."

A recent price volley between Furrow and Handy Dan in the advertised price of landscape timbers typifies the kind of price-watching now going on in the market.

Handy Dan recently issued a tab featuring its landscape timbers at $3.29. Furrow returned with an advertised price of $3.27. Handy Dan answered with $3.23 in the next shot. Furrow then dropped down to $2.99 forcing Handy Dan to drop its DIY price to $2.97 before the undercutting stabilized.

McCoy's was not the only local that had to adjust to the new chains. Calcasieu Lumber, a century-old supplier to Austin builders, ventured into the DIY market five years ago, expanding from two to six stores in the market. Over the past year, however, Calcasieu has been repositioning itself back to its builder customer base, closing four stores.

According to Nick Morris, vice president of Calcasieu, the chain will pursue a customer base of homebuilders, professional remodelers, and light commercial trade. Its stores have recently been remerchandised to become elegant builder showrooms, with its headquarters showroom flanked by 10 plush offices for the company's field sales force.

"Redefinition of the customer is what caused us to close the stores—the success or failure of the business in any of our locations," said Morris. Nonetheless, he concedes that the chains were competition.

Stripling Blake, the other major contractor supplier in Austin, has taken a different tack by becoming the high class Taj Mahal of Austin's bevy of home center stores. Stripling Blake expanded its 8,000-sq.-ft. selling space to a 30,000-sq.-ft. home center format three years ago. The store now contributes over $5 million to the company's annual sales of $27 million.

The Stripling Blake outlet with its anonymous beige brick exterior and top-of-the-line products caters as much to builders of expensive homes as female shoppers looking for elaborate kitchen and bath fixtures.

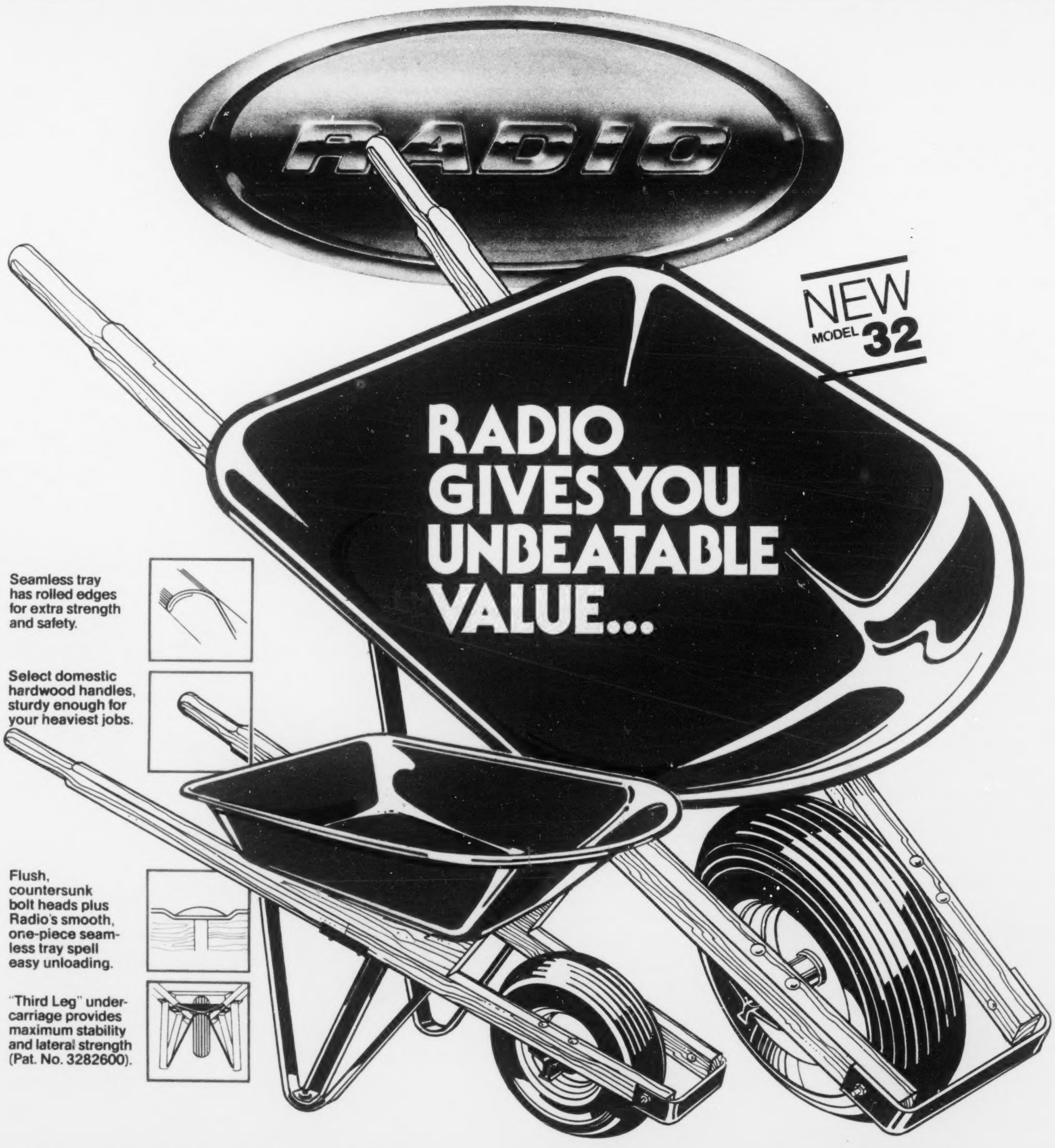
While Stripling Blake has a major lock on contractor business, Roland Prove, executive vice president, said the store's performance was encouraging enough that the company plans to "open a new 25,000-sq.-ft. store in the next year or two." The store will be located to the south of Austin where, along with Handy Dan, Homer's, Wickes, 84 Lumber, Furrow and Standard Brands, they hope to take advantage of the burgeoning home building activity along the Austin-San Antonio corridor.

Most of this building is occurring in an oblong pattern to the northwest and southeast of the city. The areas where building is occurring tend to be upper or middle income suburban settings. Austin has very low unemployment (4%) and a median income of $28,000, up from $24,000 one year ago according to the Chamber of Commerce. It has plenty of "clean industry" in addition to 81,500 government employees.

Austin's major employers are the University of Texas (16,000 employees), Bergstrom Air Force Base (6,000), IBM (6,000), Motorola (4,300), Texas Instruments (3,000), and Lockheed and Abbott Laboratories which both employ about 1,000 and are growing rapidly.

Perhaps the brightest aspect of this picture is that house sales reflect the generally high incomes available to Austin's work force: $40,000 to $60,000 homes accounted for 25% of 1982 sales; $60,000-$80,000 units accounted for 46%; $80,000-$100,000 for 8%; $100,000-$120,000 for 5%, and greater than $120,000 for 8%, according to The Greater Austin Builders Report (Dec. 10, 1982).

Walter von Merz, of the Walter Tipps Co., the hardware wholesaler summed up the outlook for the Austin market by predicting that the Austin-San Antonio corridor will have 2 million people in the next decade and the booming economy will create a rival to Dallas-Fort Worth in the next 20 or 30 years.


RADIO
NEW MODEL 32
RADIO GIVES YOU UNBEATABLE VALUE...

Seamless tray has rolled edges for extra strength and safety.

Select domestic hardwood handles, sturdy enough for your heaviest jobs.

Flush, countersunk bolt heads plus Radio's smooth, one-piece seamless tray spell easy unloading.

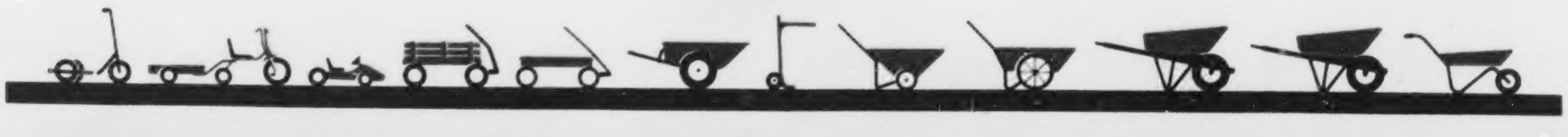
"Third Leg" undercarriage provides maximum stability and lateral strength (Pat. No. 3282600).

Now, get the best buy ever in a 4 cu. ft. Contractor's Wheelbarrow.

New Radio #32 Contractor's Wheelbarrow boasts the same superior quality and features* as our popular #34 model... at a remarkably low price. What better way to give today's careful customers the extra value they demand ■ One look at #32 Contractor's Wheelbarrow reveals the rugged steel construction Radio's known for. Plus most-wanted features: stronger, larger hardwood handles, stable "Third Leg" undercarriage, "Sure Grip" nose guard, and safe, sturdy seamless tray ■ Best in the industry, the Radio line of wheeled products is backed by 60 years of customer service, computerized instant shipping, self-selling single packs or cost-saving multiple packs. Send for our full-color catalogs today.

*Slightly smaller wheel (14")

In every way we put a lot on the line for you. RADIO RADIO STEEL & MFG. CO., 6515 W. GRAND AVE., CHICAGO, IL 60635



METRO MARKET OUTLOOK

Charlotte market

(Continued from page 13)

rose only 14.2% from 1970-80 to 637,218 from 557,758, according to the U.S. Census Bureau.) "We don't ever want to become another Atlanta, with all the problems that come with enormous growth," Crumbley said. "We want to grow on our own terms."

Lowe's Pardue, who specifically compared Charlotte's development with Atlanta's several years ago, felt this area's greatest obstacle to future development would hinge on the improvement of Charlotte's highway system. "It's very difficult to get around the city, and the roads only seem to lead to the airport." In the second week of December, a section of the newly built Billy Graham Parkway was opened, but Pardue insisted a more elaborate system was needed.

As a business environment, it appears Charlotte could be on the verge of breaking loose. It ranks 65th nationally in total disposable income, according to *Sales and Marketing Management*, and 61st in total retail sales ($5.78 billion and $3.11 billion, respectively).

And its housing market has not suffered the drastic falloff other parts of the South are beginning to feel. According to National Assn. of Home Builders figures, 1,772 single-family homes were built in the Charlotte market in 1982, an 8.3% drop from 1981 which suffered a 20.9% falloff compared with 1980. However, the NAHB predicted that the Charlotte market would rebound in 1983 and see 2,000 single-family homes constructed, a 12.9% jump.

(Evans noted that one of the stranger quirks in Charlotte's housing market is that the homes, by and large, have no basements or garages, so products like garage door openers and basement weatherproof paint don't sell at all down here.)

One of Lowe's store managers said his contractor business connected with housing starts has "held up pretty well." However, he conceded that it was retail sales that were buoying his store's profitability. He stressed that the Charlotte market was "very strong," and said he was looking forward to Hechinger's arrival. "I hear it's a strong company, but I think our stores will have the better in-store service.

In fact, most other sources in the Charlotte market felt that Hechinger's entry would be beneficial to all retailers. Robert Justice, sales manager for Genuine Hardware Co., a Greensboro, N.C., hardware wholesaler supplying the market, said Hechinger's assiduous advertising in Charlotte would be "image creating."

"Its impact will be dynamic, and will demand that the other retailers follow suit," he said. Justice conceded, though, that Lowe's still had the greatest amount of consumer recognition in the market, primarily because of the proximity of the chain's headquarters in North Wilkesboro.

However, one other wholesaling source felt that Hechinger could shake up some of Lowe's dominance here. "Even though Lowe's and other chains have been around Charlotte for years, Hechinger will be welcome," said Lanny Moore, vp-dealer services for Builder Mart of America, the Greenville, S.C., buying group. "You'll see more people pushing DIY products and more dealers thinking building materials. I tend to welcome competiton if it's good competition."

Colorado Springs

(Continued from page 13)

us and it has created a real bad situation."

Woods feels he is in the best position with one 30,000-sq.-ft. unit having drive-through and cash-and-carry characteristics to serve the whole market.

Some stores have been able to maintain their loyal, service-oriented customer base, but many consumers seem to have fallen victim to the price battle.

"The people weren't that price-conscious in 1979," Brookhart's Watt noted. "The economy and the price war have made them price-conscious. We had loyal customers for years and years and price wasn't that big a thing. Now, the personality of the business has been taken away."

Crissey Fowler manager Mike Maloney added, "We barely have enough phone lines with all the people calling up to find out prices now."

Among the other consumer-oriented chains in Colorado Springs is Handy Dan with two outlets, which, dealers say, are most vulnerable to the price battle but may be rebounding through a stepped-up ad campaign.

Pay 'N Pak, especially on plumbing and electrical goods, 84 Lumber and Sutherland Lumber also affect the market with one unit each.

Other units such as Walker Bros. Lumber and a Diamond outlet in the market have done some retail business while catering to the contractor.

Everitt Lumber's sole unit in the market expanded its builder base when it purchased Brookhart's Colorado Springs-contractor business. The store, however, was the focal point in the chain's store remerchandising program to build more DIY volume (*NHCN*, Oct. 25, 1982).

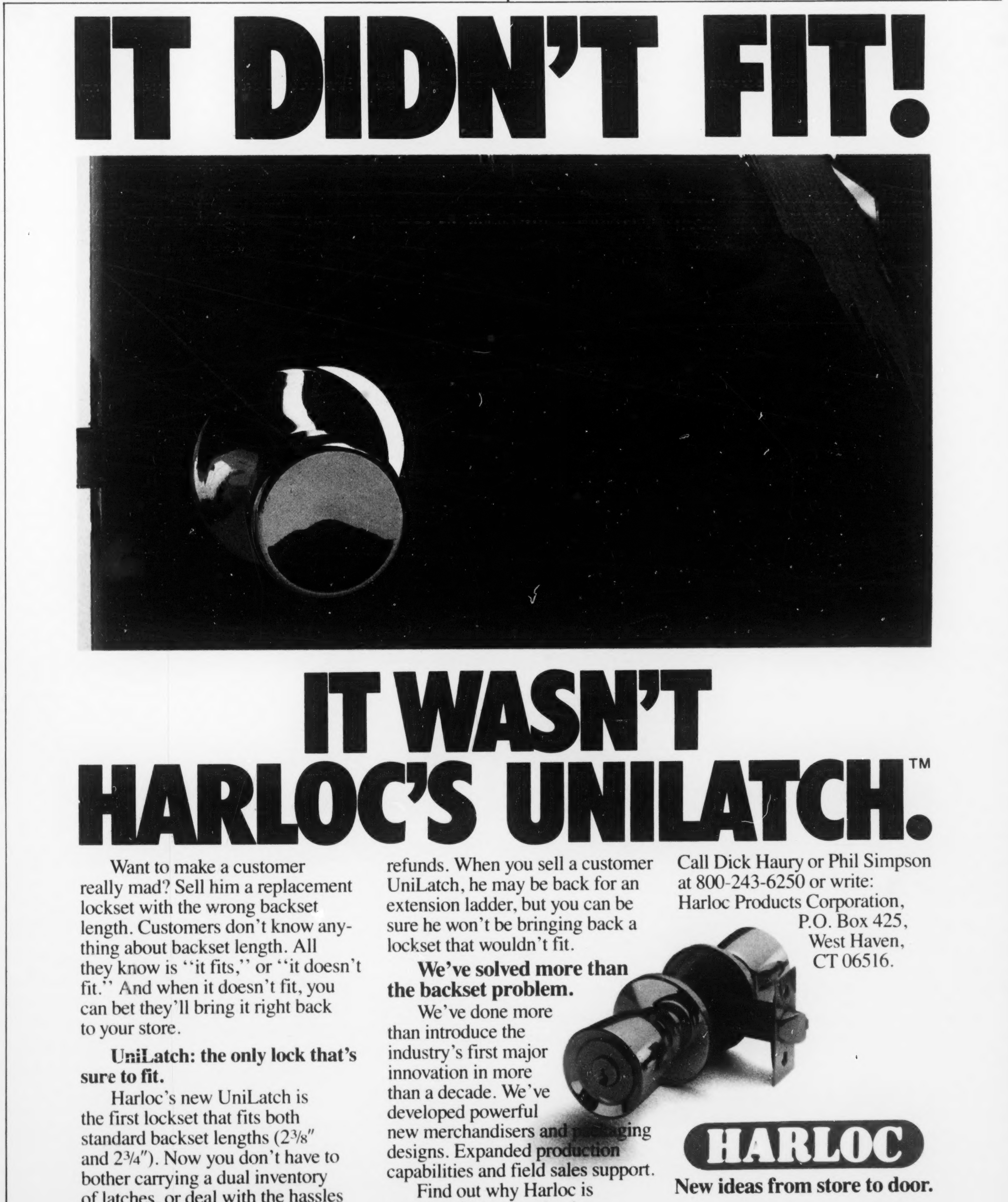
Although Crissey Fowler's retail business claims only 15% of total volume, the percentage is significant when considering the store's $15 million-$20 million volume, more than 30,000 sq. ft. of well-merchandised retail area and an additional drive-through setup.

If lost sales are scaring you to death... Bulb-Miser can save your life.

BULB MISER®
Electronic Wonder

- **Exclusive non-competing product**
- **Unlimited sales potential**
- **National merchandising & TV campaign**

To learn about this exciting new product contact:
Cleveland (216) 439-1830 • Dallas (214) 387-8610
Waxman Industries, Inc. • Consumer Products Division



IT DIDN'T FIT!

IT WASN'T HARLOC'S UNILATCH.™

Want to make a customer really mad? Sell him a replacement lockset with the wrong backset length. Customers don't know anything about backset length. All they know is "it fits," or "it doesn't fit." And when it doesn't fit, you can bet they'll bring it right back to your store.

UniLatch: the only lock that's sure to fit.

Harloc's new UniLatch is the first lockset that fits both standard backset lengths (2⅜" and 2¾"). Now you don't have to bother carrying a dual inventory of latches, or deal with the hassles of ripped open packages, and refunds. When you sell a customer UniLatch, he may be back for an extension ladder, but you can be sure he won't be bringing back a lockset that wouldn't fit.

We've solved more than the backset problem.

We've done more than introduce the industry's first major innovation in more than a decade. We've developed powerful new merchandisers and packaging designs. Expanded production capabilities and field sales support.

Find out why Harloc is a perfect fit for your business.

Call Dick Haury or Phil Simpson at 800-243-6250 or write:
Harloc Products Corporation,
P.O. Box 425,
West Haven,
CT 06516.

HARLOC
New ideas from store to door.

METRO MARKET OUTLOOK

The Baltimore market

(Continued from page 22)

shopping there, they're watching the prices. We could lose customers to them," Heffner said.

Hechinger leads the way in advertising with its weekly 24-page color tabs. But independent Mr. Goodbuys runs two to three newspaper ads per week, sends out a direct mail catalog and is on television 40 out of 52 weeks per year, according to Steve Erlbaum, one of the partners.

He says that the effort has been successful, with business up about 30% over last year. Store size has doubled in the last two years. An additional 10,000 sq. ft. for a total of 50,000 sq. ft. is planned for 1983, a year when Erlbaum's Baltimore unit could pass $6 million in volume.

"He definitely has hurt me," Inner Harbor's Heffner said of Erlbaum. "He has put a severe crimp in our kitchen cabinet sales."

Mr. Goodbuys carries 12 lines of cabinets.

"We're being equally tough," said Heffner. "We've gone to our supplier whose given us another 15% to play with."

In general, competitors have been able to carve out niches in the Baltimore market. Mr. Goodbuys concentrates on kitchen and bath, millwork and ceiling and floor coverings. Those categories, along with lumber and building materials, are Inner Harbor's strengths. Hardware Fair, for example, is strong in plumbing, electricals, hardware and tools.

There is apparently also room in the market for several 84 Lumber units in outlying locations and a few independents that also cater to retail customers, such as Stebbins Anderson.

According to several retailers, the competition, Hechinger included, has had positive effects.

"We have a Hechinger down the street," said Erlbaum, of Mr. Goodbuys. "They're healthy competition because they don't give things away."

"We have a store in Glen Burnie where there's a Hechinger across the street," said Butz. "That's our best store."

He noted that competition can help build sales: "Before we were the only people in town telling homeowners to fertilize their lawn. Now there are five or six people telling them."

The Orlando market

(Continued from page 25)

dents. Only two seem to cater significantly to retail business: Mills and Nebraska Lumber & Supply and Home Supply Center of Orlando.

Henry Ervin, owner of Home Supply Center of Orlando, may be the only local lumber dealer actually looking foward to the arrival of The Home Depot. He left a Scotty's assistant manager position 19 years ago to open his store just east of the city.

Cruse's Scotty's unit is directly across East Colonial and the Home Depot's Eastland Shopping Center location is only a few hundred yards further east. Ervin feels that the traffic generated by Home Depot will add to his business and he plans to be deeper in hard lines than the chain and to stock items that Home Depot doesn't.

"We've been doing 20% more business since Scotty's opened four years ago," he said.

Los Angeles

(Continued from page 23)

Single-family housing starts will increase slightly, to 4,000, in 1983, compared with 3,500 in 1982. Total housing starts dropped 47.2% in 1982, to 11,500 units from 1981's 21,768 units.

One housing trend that home center operators are watching is the growing interest among young people to move into condominiums.

Ben Bartolotto, director of the Los Angeles-based Construction Industry Research Board, said a dip in mortgage rates from 16%-17% to around 13% is a welcome relief, but for Los Angeles, it's only one facet of a complex problem.

California housing prices are about 40% above the national average. There are signs of declining home prices, Bartolotto said, but not enough to make housing affordable for most county residents. The housing issue is complicated by Proposition 13, the tax-slashing ballot initiative passed by California voters in 1979. It has had a major impact on the resale of homes.

When a person buys a house, the property tax assessment is raised to the sales price, usually much above the former owner's assessment. This discourages potential sellers who are reluctant to trade their low property tax for the much higher tax on a new home. As a result, many home owners are remodeling their existing homes. That may be good news for home center operators, but not when the pent-up demand for housing, especially among first-time buyers, is considered.

Although expected lower interest rates will generate an upswing in home building this year, other signs of an ailing economy, including a 10.8% county unemployment rate, are being watched closely by home center operators.

TRUE TEMPER.
OUR TOOLS SELL OUR TOOLS.

Our tools sell your customers without saying a word.

The True Temper® name is the brand most people recognize as having the highest quality lawn and garden tools and striking tools on the market today.

So start selling the tools that sell themselves—True Temper.

ALLEGHENY INTERNATIONAL
HARDWARE GROUP
TRUE TEMPER JACKSON CYCLONE
WILKINSON SWORD

P.O. Box 3500, Shiremanstown, PA 17011

They're way on top in sales.

Patent Nos.
3739780 and
4086028

Our Deluxe WB Series, with four wind braces, is unequalled in performance and durability.

MEMBER
AVA
AMERICAN VENTILATION ASSOCIATION

Arvin WISPERCOOL® Wind Turbines.
The energy-savers your customers will come around for!

Energy costs more and more. That's why more and more homeowners turn to Arvin Wispercool Wind Turbines.

Quiet, dependable wind-driven turbines cut air conditioning costs as much as 25%, increase the life of air conditioners, and chase heat from non-air cooled homes.

And, superior Wispercool turbines cost nothing to operate. They turn with the slightest breeze on patented jewel bearing systems that are Arvin exclusives for far more dependable performance.

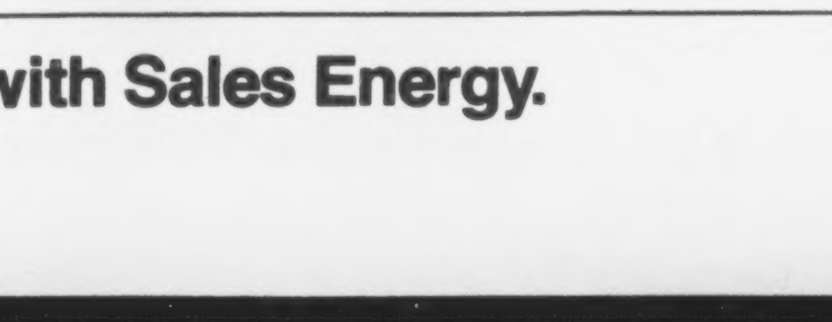
Selling's a breeze with Wispercool because Arvin designs them better, builds them better, and gives you a full line of turbines for every style of home. They can be installed to FDA/HUD requirements. ***Sturdier, more dependable wind turbines are made by Arvin.***

Arvin
Consumer Housewares Division
Arvin Industries, Inc.
Columbus, Indiana 47201
(812) 372-7271

Arvin products and packages move more merchandise

In addition to WB Series, Wispercool Wind Turbines are available in compact models with three external braces and low profile models with internal braces for that residential look. Packaged in attractive, eye-catching, hexagon cartons for easier stacking, better display.

22TVG12— 3 braces; base included.
22JB12— Internal braces; base included.
32TVG12— 3 braces; turbine only.
32JB12— Internal braces; turbine only.



The Energy-Savers with Sales Energy.

2/1/83
C5150-6

60-93609- 1 9 U9902 X
660019464
CONGRESSIONAL INFO INC
4520 EAST-WEST HWY/STE 800
WASHINGTON DC 20014

Special show section:
Merchandising Outlook '83—pp. 13-54

National
Home Center News®

Vol. 9, No. 3 The newspaper for retailers serving homeowners and contractors. Published by Lebhar-Friedman Inc. January 31, 1983

Bonanza sold to Pay 'N Pak

Success proves elusive to Australian owners

Pay 'N Pak hopes to have more success with the six-unit Bonanza chain which foundered under the ownership of Australian conglomerate Burns Philp. NHCN photo

By John Caulfield
NHCN associate editor

SAN JOSE, Calif.—Pay 'N Pak has made its deepest foray into northern California with the purchase of Bonanza Building Centers here from Burns Philp, the Australian conglomerate that only two and a half years earlier bought the operation from W. R. Grace.

"At their current level of business, the Bonanza stores were not operating at a profit," explained Peter Ferris, a Burns Philp executive who, in 1980, served as Bonanza's first president. "We were in a halfway house dilemma in that we either had to make a much larger capital investment in the chain, or sell it off. We decided to bite the bullet."

That dilemma, however, had been festering for months, and discussions with a number of former Bonanza executives clearly reveal that, operationally, the chain had been all but cast adrift before Pay 'N Pak came to the rescue.

The deal for Bonanza was consummated Jan. 10 for an undisclosed amount of cash and common stock from Kent, Wash.-based Pay 'N Pak. In exchange, the 97-store chain received the assets of six-unit Bonanza, with estimated sales of $20 million, including land and improvements of the Santa Clara and San Jose stores, as well as the lease arrangements, inventory and store equipment of the other four units.

Following the acquisition, Pay 'N Pak closed the Bonanza

(Continued on page 70)

Lanoga purchases Williamette stores

THE DULLAS, Ore.—Lanoga Corp. continued on course in its plans to develop a "dominant" Pacific Northwest lumber and building materials chain by purchasing the eight retail units owned by Williamette Industries, the $1 billion Portland, Ore., lumber manufacturer.

The transaction, for an undisclosed sum, was scheduled for completion Feb. 1, and comes on the heels of Lanoga's acquisition of the five-store, $20 million Lumbermen's of Shelton, Wash., last spring (*NHCN*, March 29, 1982).

Officials for the $220 million, Seattle-based Lanoga have stated they will use the Lumbermen's operation as a "springboard" for future expansion which, according to the chain's president, Larry Knudson, would eventually translate into a 25-30 unit, $100 million-$120 million company.

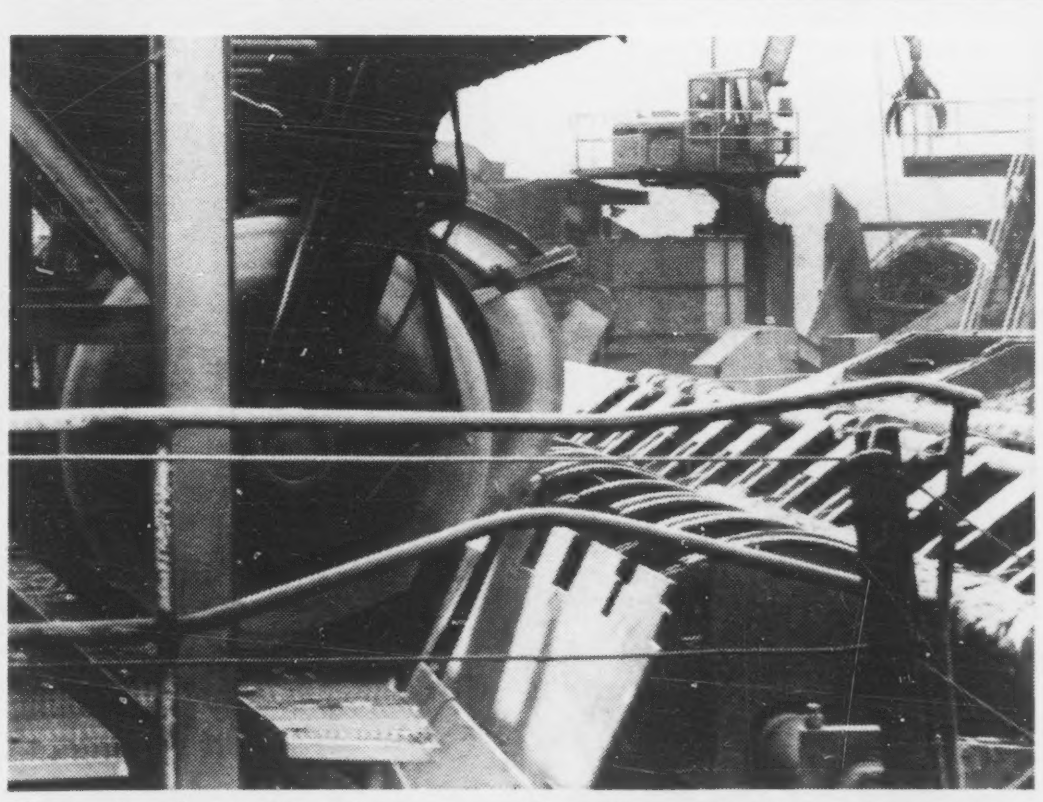
"The Williamette acquisition is viewed as an important step in our becoming the dominant retailer in the Pacific Northwest," said Bill Matthews, Lanoga's director of merchandising and marketing.

Williamette's decision to get out of retailing appears to reflect a trend among lumber manufacturers to rid themselves of retail outlets not generating sufficient return on investment. Louisiana-Pacific announced recently it was looking to sell off its eight-unit, El Segundo, Calif., chain.

"We eased into the retail business when we purchased a number of stores from the Gerrigos family in the mid-70's," explained Kathy Baldwin, a Williamette spokesman. "But we were at a stage where we either had to go into the retail business in a bigger way or sell off the stores. We decided that we are basically manufacturers." Williamette had 1983 earnings of $29 million and 58 manufacturing plants in 14 states.

The outlets sold to Lanoga only partially fit into the type of operation Lanoga is attempting

(Continued on page 70)



This circular saw of log merchandiser at Weyerhaeuser's Mountain Pine, Ark., mill is poised for action as many mills crank up production to meet increased demand. However, lumber supplies may still be short this spring due to low current inventories and other factors. NHCN photo

Lumber prices climbing; supply shortage foreseen

By Kenneth Schept
NHCN senior editor

NATIONAL REPORT—Housing is rebounding. Demand for lumber is up, along with prices. Prosperity, it seems, is just around the corner. But lurking there as well may be lumber and plywood shortages.

With the nation's mills still operating at about 70% of capacity and their lumber inventories near a record low, according to the Western Wood Products Assn., it is not clear whether the forest industry, trimmed for the recession, can or will gear up quickly enough for the recovery.

The consensus among lumber producers, wholesalers, retailers and other industry observers is that with 1.3 million housing starts, about what has been predicted for this year,

(Continued on page 33)

Commodity Update: A special report on commodity product supplies continues on Pages 33-42.

Major plumbing makers hoping to tap into high-end DIY faucets

By John Caulfield
NHCN associate editor

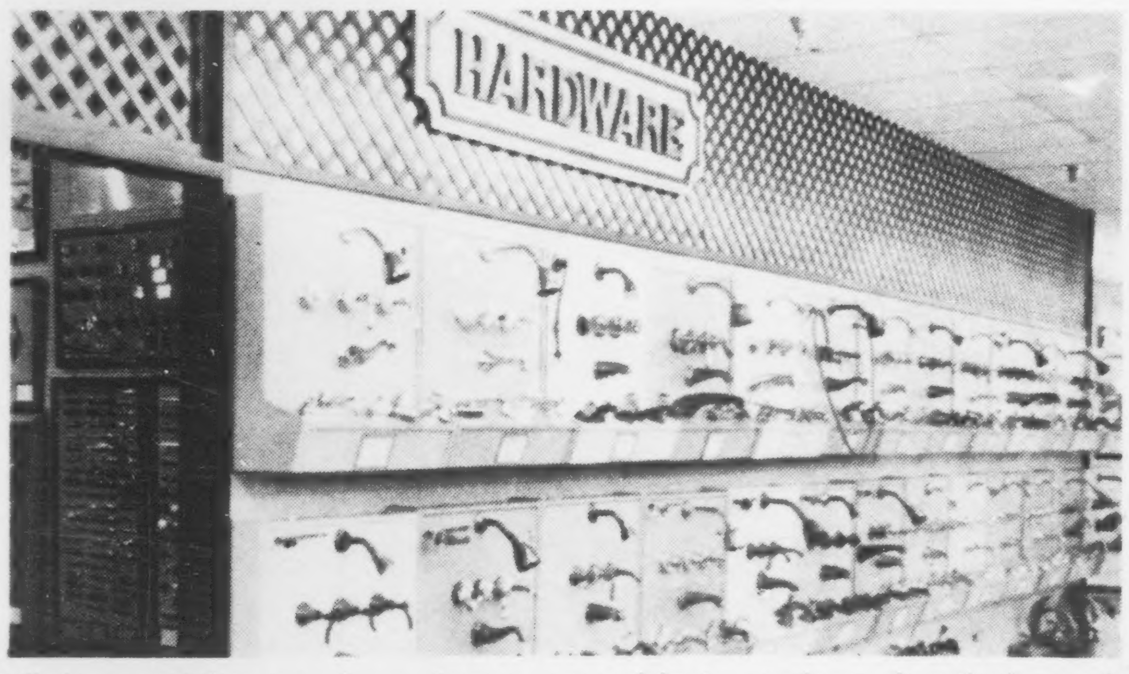
NATIONAL REPORT—The high-end faucet market, which until recently was serviced mostly by small- to medium-sized manufacturers, is starting to attract some of the biggest plumbing makers in the industry. They are entering the market in response to what retailers see is a growing consumer demand for quality DIY merchandise in the product category.

Last year, Peerless Faucet brought out 33 sku's in its "Designer" series of higher-priced faucets, and dealer response was "surprisingly good," according to national sales director Donald Burgess, who said that retailers took on an average of 10 sku's from the line.

This month, American Standard, the New Brunswick, N.J., plumbing manufacturer, is introducing at the Winter Hardware Show in Las Vegas a 17-sku faucet program which, for the first time, will allow dealers to order and take shipment directly from American instead of going through a wholesaler.

"We're looking to expand the retail faucet market," said American's marketing manager Robert Irvine. "Our advertising and packaging will be directed at the consumer, and will stress our reputation and the fact that now our products can be purchased through the retail outlet."

(Continued on page 16)



Higher-end faucets have been moved in to replace Austin-based Stripling-Blake's low-end line as consumer interest in the cheaper faucet models wanes. See Merchandising Outlook '83, Pages 13-54. NHCN photo

NEWSBREAKS

WOLOHAN SELLS NEW UNIT. After 20 months in operation, the Hilliard, Ohio, outlet that served as Wolohan Lumber's prototype store has been sold to Sutherland Lumber.

ORLANDO UNVEILING. The Home Depot opened its ninth and 10th units, Jan. 27, with the unveiling of two new stores in Orlando, Fla. The Atlanta-based chain is expected to open another three to six stores in 1983.

INSIDE:

VINYL TILE IMPORT DUTIES being pushed by domestic manufacturers may result in higher flooring prices to home centers .... Page 2
AMERICAN BELL has targeted home centers as potential outlets for its line of phone products .... Page 3
BRISK BUYING was reported on the floor of the Northeastern Retail Lumbermen's Assn. show .... Page 4
HOME CENTERS are grabbing an increasingly greater share of the decorative flooring market .... Pages 56-60

NHCNews Briefs

Industry Update

Stine unveils Baton Rouge outlet

BATON ROUGE, La.—Stine Lumber, which operates three yards in Louisiana, is planning to open its first 100% retail outlet in mid-February, in Baton Rouge.

The new unit will be 15,000 sq. ft. on 3.5 acres and will carry about 10,000 sku's, the same variety of product as other Stine outlets but in more depth, according to Dennis Stine, general manager.

The firm's existing units are in Lake Charles, Sulphur and De Ridder, La., and have become about 75% cash and carry, according to Stine. The move into Baton Rouge will mean a larger market with more competition from major chains, including Handy City, Lowe's, 84 Lumber and Wickes.

Stine is optimistic about the DIY direction, however.

"If this is successful," he said of the Baton Rouge venture, "we'll open another one in a year."

BE shuts 2 LA County stores

IRVINE, Calif.—Builders Emporium, which closed only one store last year while its parent Wickes Cos. made massive cutbacks in other troubled divisions, began the new year by shuttering two stores in Los Angeles County.

The now-60-unit chain headquartered here shut down its 45,000-sq.-ft. Diamond Bar store and the 16,000-sq.-ft. Ladera Heights store Jan. 17. At presstime, BE president Anthony J. Swies declined to comment on the closures or reports that the chain is planning to open stores this spring in the San Bernardino County cities of Ontario and Riverside. In 1982, BE closed one store, in Oceanside in April, and opened one store, in Sunnymead in June.

Sources said the 18-year-old Ladera Heights store located near Marina Del Rey was profitable with $2.5 million in annual sales, but renovation of a shopping center it was in would have decreased the tiny store's square footage even more. Customers can choose from six other BE's located within five miles of the shuttered unit.

The Diamond Bar store in eastern Los Angeles County opened in 1980 as the anchor in a 10-store strip center that reportedly was less than 50% leased, in part due to its inaccessible location. The center is situated near new housing tracts that reportedly haven't matured to the point of generating enough homeowner DIY projects. Both stores were closed without going-out-of-business sales, and merchandise was transferred to other stores.

In other BE developments, Swies said that Steve Capasso has been named merchandising manager for housewares, paint, home decor and seasonal merchandise. Capasso most recently was operations vp for Wickes' Rasco division, and previously held a variety of posts at BE. He is one of three merchandising managers who report to BE executive vp William T. Teachout. Capasso replaces Jerry Schwartz who has been named senior buyer for paint, floor covering and home decor.

ACE carves out new sales region

OAK BROOK, Ill.—Ace Hardware has created a fourth sales region to meet the growing demands on the $700 million wholesaler's sales force, according to national sales manager Bill Loftus.

Taking over the Central regional district manager's post is Steven C. Schmidt, formerly district manager of northern Illinois, who is managing district managers in 10 Midwest states along with analyzing store applications for membership and planning territory objectives and programs there.

He joins Joe Mox in the West, Lou Panozzo in the North and Jim Washburn in the South as Ace regional managers.

"Over the past few years, the responsibilities of the sales force have increased significantly," Loftus explained. "To meet these new demands, we have redivided the regions."

Ernest L. Vierra assumes the district manager's position which Schmidt vacated. He had been an Ace district manager for the last six years in the Arizona, New Mexico and El Paso, Tex., territory.

National
Home Center News®

Ad Angles 46, 47
Calendar 6
Classified 68, 69
Distributor's Forum .. 62
Editorial 8
Home Centers & the Law 64
Letters 8
Lumber Report 63
People 6
Price Point Survey ... 55
Security/Shortage Control 61
Washington View 8

National Home Center News (ISSN 0192-6772) is published biweekly, every other Monday, 25 times a year, beginning with the first Monday in January through the fourth Monday in November, monthly in December; by Lebhar-Friedman Inc., 425 Park Ave., New York, N.Y. 10022. Manufacturers, schools, libraries and all others: $20 a year ($21 in Canada). Foreign subscriptions: Airmail only, $100 per year.

Second class postage paid at New York, N.Y., and additional mailing offices. Vol. 9, No. 3. Copyright© 1983 by Lebhar-Friedman Inc. All rights reserved. Postmaster: Please send address changes to Subscription Dept., National Home Center News, 99 Park Ave., New York, N.Y. 10157. For change of address six weeks notice is requested. Give old and new address and zip code. If possible, enclose address portion from cover on previous issue.

Vol. 9, No. 3 January 31, 1983

American manufacturers press for import duties on vinyl tile

WASHINGTON—A battle between domestic and foreign manufacturers of vinyl tile over import duties may mean higher prices this spring for home center flooring buyers.

Domestic manufacturers, led by Armstrong, Lancaster, Pa., have filed a petition with the office of the United States Trade Representative (USTR) in an attempt to stem the flow of Taiwanese-made vinyl tile products which compete with American products on a duty-free basis.

At present, importers of Taiwanese vinyl tile are protected by favored nation status under the Generalized System of Preferences.

President Reagan is expected to rule in March on whether or not those importers will begin to pay a 6.9% duty on the Taiwanese vinyl tiles.

"Domestic prices have been depressed by the low price of the copied Taiwanese products," said William Clark, president of Azrock Industries, San Antonio. Clark noted however that retailers who could buy vinyl tile by the container load from every major port in the United States had an advantage over retailers who couldn't buy in those quantities—and who had to purchase higher-priced domestic products.

The complaints of American manufacturers center on three issues: The first is that while no United States duty is placed on Taiwanese exports, American companies pay as much as 40% to 60% duty to do business in Taiwan. The manufacturers also resent what they see as "knockoffs" of their products produced at lower labor costs and without footing the bill for development and promotion. Finally, they claim that lower-priced Taiwanese goods further depressed the flooring market this past year, and hurt retailers who could not buy in large quantities competing in the DIY market.

Among the vinyl tile manufacturers that joined Armstrong's complaint as co-petitioners are: Azrock Industries; Nafco, Florence, Ala.; Amtico, Lawrenceville, N.J., and Kentile, Brooklyn, N.Y.

Importers including Top Tile (New York), Solar Brite (New York), Color Tile Supermarts (Texas) and New York Tile argue that although their individual companies' sales may be sizable, their market share is insignificant compared to that of industry giants like Armstrong.

According to United States Government statistics, sales of imported vinyl tiles were $10.5 million in 1982. The Taiwanese Vinyl Tile Committee contends that less than 2% of a $550 million to $600 million United States market in vinyl tile stems from sales of imported products.

American manufacturers took strong exception to the importers' view of the domestic vinyl tile market. "The Taiwanese said they are a small part of the entire resilient market, but vinyl tile competes in a very specific portion of the market—the DIY market," said Clark.

Domestic manufacturers of vinyl tile including Armstrong have made their market share numbers available to the U.S. Trade Representative on a confidential basis, but the companies are not revealing those

(Continued on page 69)

Massachusetts retailers prepared to open for business on Sundays

Somerville's Cohen sings the blues over state's liberalized Blue Laws

BOSTON—Massachusetts home centers will be allowed to open for business on Sundays, as of March 27, following a change in the state's Blue Laws late last year.

An exemption to the Massachusetts Common Day of Rest Law was approved by former Gov. Edward King as one of his last official acts before leaving office.

The exemption essentially allows all retailers except liquor operators to open on Sundays after noon, although employees must be paid at a time-and-a-half rate and cannot be forced to work if they choose not to.

Large home center chains that operate in Massachusetts, like Channel and Grossman's, and major independents like Somerville Lumber, are expected to open for Sunday hours as soon as the law becomes effective.

However, there was disagreement within the industry about whether Sunday openings should be advocated. Some opponents argued that an extra day would only spread existing volume over a longer week, while increasing overhead. Others objected to the intrusion on the family life of employees.

Members of the Northeastern Retail Lumbermen's Assn. were divided on the issue. Grossman's took out newspaper ads voicing its opposition. Harold Cohen, vice president and general manager of Somerville Lumber, said he met with the Governor and legislative leaders to lobby against the Blue Laws change.

"I took a strong position on it and I lost," said Cohen. "We have approximately 360 employees. My problem is not in doing business. I always felt that we can do as much business as hours permit. Our biggest problem is in operating and management, controlling the 360 people who work for us."

Cohen felt that many employee work problems are really a result of difficulties at home that find their expression at work. From this point of view, Sunday hours mean an employee spends less time with his

(Continued on page 69)

Harold Cohen, Somerville Lumber, will probably have to increase his sales force by about 15% to accommodate the Sunday hours.

Handy Andy stores go back-to-basics to strengthen Southwest market share

TUCSON, Ariz.—A back-to-basics push is the key in a remodeling and remerchandising program aimed at strengthening the market share of Handy Andy stores here, according to chain officials.

The five stores, run by Parent Sunset Industries, are cutting their housewares commitment by 75% in part to make room on the sales floor for more lumber and building materials, which in the past have been relegated to outdoor space, "to present a dominant appearance," according to the chain's new vice president and general manager Jerry Edwards.

The plan also calls for a hike in hard line and decorative sku counts by at least 15%, he noted.

Edwards, formerly a merchandise manager at Handy City, Atlanta, said the changes are planned to bring a 20% to 30% sales increase with total sku's increasing by about 20% to 15,000 items. It should take six months to redo all five stores, which average 15,000 sq. ft. The first unit is expected to be completely remerchandised by March 1, Edwards said.

"We want to make a major effort in the market," he explained. "The whole thrust is toward expansion."

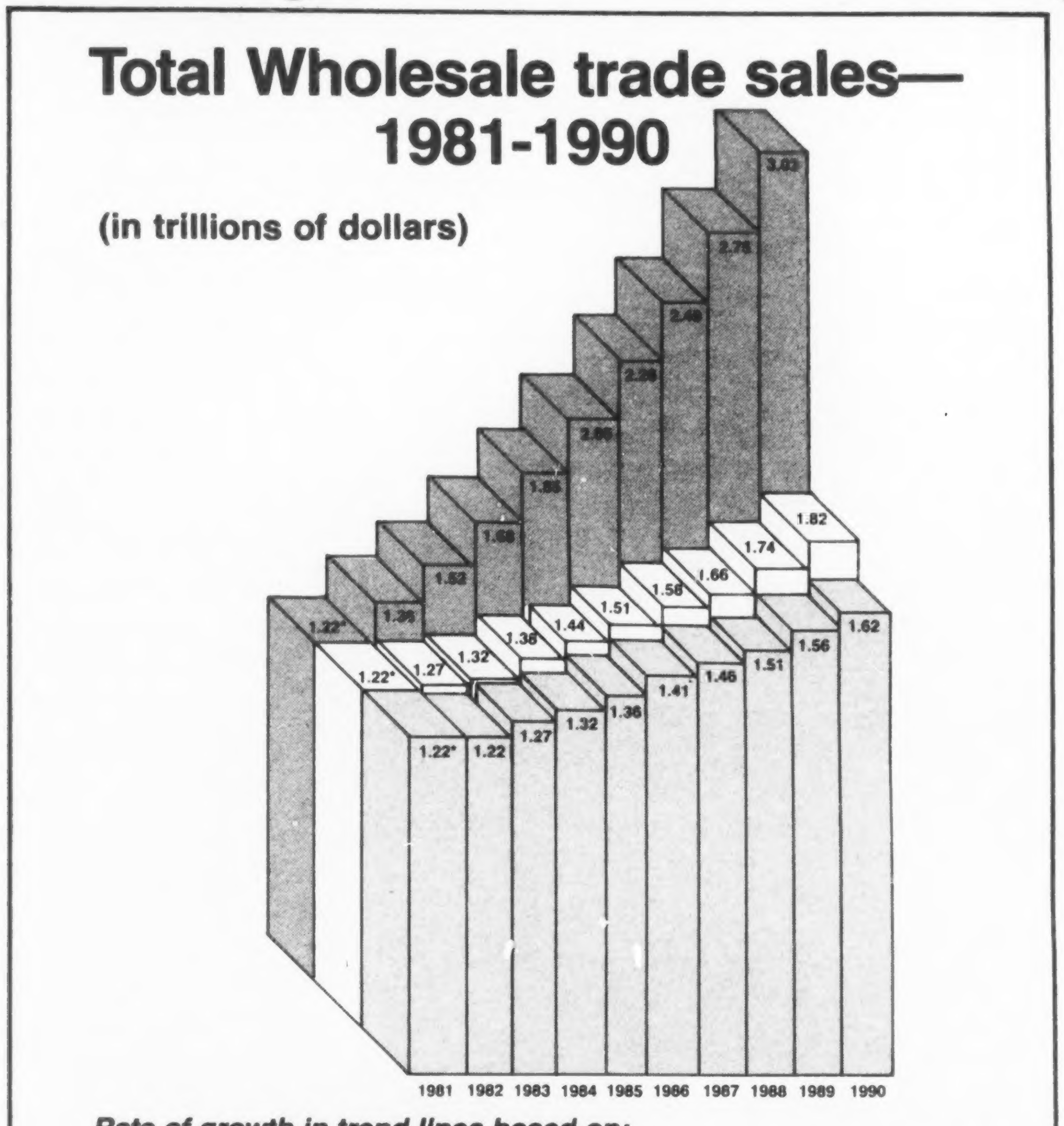
Harold Kitay, chairman and president of Sunset Industries, which he turned private by acquiring its common stock late last year (*NHCN*, Nov. 22, 1982), said the company has three sites selected for new stores when the economy improves.

Exiting from the $12-million, 80% DIY chain now will be many of the traditional houseware goods such as glassware with only such lines as rubber goods and decorative shelving remaining, according to Edwards.

The increased commitment to hard lines and decoratives will bring in more hardware, tools, plumbing, electricals, wallpaper, flooring and paint to

(Continued on page 69)

Study shows foreign gains in U.S. wholesaling



***U.S. Dept. of Commerce (Bureau of Industrial Economics)**
†Source for GNP real growth and inflation assumptions: Congressional Budget Office

By 1990, the wholesale industry will be 43% greater in real terms than it was in 1981, according to a new study. In inflated dollars, using the Congressional Budget Office's forecasts of inflation for 1981 to 1990, total wholesale sales in 1990 are expected to exceed $3 trillion.

CHICAGO—Foreign-owned firms will comprise 10% of total wholesale companies in the United States, and 15% of total industry sales, or $450 million, by 1990, compared with 1% and 2%, respectively, in 1970, according to a new study.

Over the same period, smaller wholesalers will be under tremendous pressure to merge with larger companies to remain competitive. Companies with sales exceeding $20 million are expected to capture 80% of the industry's volume in 10 years.

The recently released study also pointed to increased investment in computerization as the main weapon in the arsenal of domestic wholesalers against competition and/or takeover, as well as expansion of services to retailers who have become more reliant on distributors for inventory control, educational seminars and financial management.

Despite these structural pressures within the industry, the study—"Future Trends in Wholesale Distribution: A Time of Opportunity"—predicted the nation's $1.4 trillion wholesale industry would prosper over this period, and grow at a faster pace than the projected Gross National Product through 1990.

Comparative shares of total wholesale sales

	1972*	1977*	1985	1990
Merchant wholesaler-distributors	51%	54%	56%	58%
Manufacturers' sales branches	37	36	35	34
Brokers, agents and others	12	10	9	8

*1977 Census of Wholesale Trade; Bureau of Census
Source: Arthur Andersen & Co./Distribution Research & Education Foundation.

Wholesale distributors that sell to retailers, known as "merchant wholesalers," are expected to increase their market share of total wholesale volume through 1990 to 58% from 51% in 1972, according to a new study published by the research arm of the National Assn. of Wholesale-Distributors.

The report was prepared by the accounting firm Arthur Anderson & Co. for the Distribution Research and Education Foundation (DREF), an arm of the National Assn. of Wholesale Distributors (NAW), Washington, D.C.

Of NAW's 123 affiliate associations and 45,000 companies, approximately 15 associations represent about 5,000 lumber, building materials and hardware firms.

The study was optimistic that the industry would continue to thrive throughout the decade, with projected total wholesale volume rising, in real terms, by 4.2% annually through 1985, and 4.9% from 1986-90, hitting $1.82 trillion in the last year compared with the $1.62 trillion the Congressional Budget Office estimates the G.N.P. to reach.

When projected inflation rates are factored in, trade sales for the industry should expand to $3.03 trillion by 1990. (The industry can grow faster than the G.N.P. because it also handles products manufactured overseas.)

The study pointed to three factors that will have the greatest influence in governing the projected industry growth rate, including productivity improvements by merchant wholesalers to increase cost effectiveness and competitiveness compared with other distribution channels; economic influences that

(Continued on page 38)

Design changes at Lumber City foretell future under McNulty

By Brad Altman
NHCN West Coast editor

RESEDA, Calif.—A change in store layout and merchandise presentation at a Neiman-Reed's Lumber City unit here is giving competitors their first glimpse at the future of the 13-unit chain under the new leadership of former W. R. Grace executive Bob McNulty.

McNulty joined Neiman-Reed last July in the No. 2 post of executive vp and chief operating officer and is the likely successor to Robert Neiman, the chain's co-founder and president, who plans to retire within a few years.

Neiman-Reed, with 1982 estimated sales of $50 million, is a 95% DIY-oriented home center chain with operations north of Los Angeles in the San Fernando Valley, Ventura County and Valencia. Since 1981, the 30-year-old business has been 51% owned by UBM Group, a diversified company headquartered in Bristol, England. UBM has an option to purchase the remainder of Neiman-Reed in 1986 (*NHCN*, Aug. 2, 1982).

After coming aboard last summer, McNulty made significant changes. They included trimming payroll by 15% to 750 employees, slashing inventories by $2 million and mapping plans to consolidate administrative services by moving corporate headquarters in March from Sherman Oaks to a new two-story, 21,000-sq.-ft. building in Van Nuys.

Significantly, in this tough, highly competitive southern California market, Neiman-Reed has increased the distribution of its weekly direct-mail circulars to 600,000 copies from 200,000, and doubled the number of pages. It seems clear that Neiman-Reed's corporate strategy is to out-perform and out-promote its marketplace rivals which include such entrenched institutions as Ole's Home Centers, Builders Emporium and strong independent Chandler Home Center in Van Nuys.

Transforming the six-year-old, 47,500-sq.-ft. Reseda store into a prototype facility took less than three whirlwind weeks and cost approximately $70,000, of which about $40,000 was spent on new metal fixtures and racks for lumber and building materials. Another approximately $10,000 was spent on in-store signage including a blue-and-green wall paint stripe designed to match the same colors used in circular advertising and employee uni-

(Continued on page 71)

Lumber City's remerchandised Reseda, Calif., outlet puts greater emphasis on bulk displays, and storewide visibility with 54-in. high gondolas, and shorter aisles to provide more endcaps, for impulse item displays.

NHCN photos

American Bell targeting major retailers as outlets

MORRISTOWN, N.J.—A Federal regulation that went into effect Jan. 1 changes the distribution system for telephones and should increase tremendously the opportunity for retail sales of phone instruments and accessories.

The Federal Communications Commission regulation, another chapter in the break-up of the Bell System, resulted in the formation of American Bell, the A.T.&T. subsidiary designated to manufacture and market Western Electric telephones.

American Bell has already targeted 69 retailers as potential outlets for its products. Sears and Target stores have taken on its line.

"Our goal is universal availability through national distribution in all classes of trade. We are looking at major home centers," said Mike Granieri, district manager.

Home centers that already carry telephones include Menard's, Lindsley, Knox Lumber, Lowe's, Pergament, The Home Depot, Broadway Home Center, Ernst and Gee Lumber. Until recently, however, many carried the product on a limited or promotional basis only.

While some home centers may choose to take on American Bell phones, others may be up against American Bell stores as competitors. The new company took over 461 of the 1,400 Phone Center Stores and renamed them Bell PhoneCenters.

The sites are either freestanding or in malls. They are retail rather than bill collecting outlets. Current prices for phones are $25 to $350.

"We'll price to be competitive," said David Manahan, an American Bell division manager.

The company was granted the leading edge over the local telephone service companies born from A.T.&T.'s reorganization. Regional firms will sell only existing inventory and reconditioned phones at prices set by these service companies for a specified rate of return.

The regional companies have a year to decide whether to continue to sell telephones. In the meantime, American Bell's large research and development department, from the old Bell labs may help increase the neophyte company's lead over the service companies.

Evidence of American Bell's aggressive entry into the market are its first two major contracts—Sears and Target stores—locked up in its first two weeks of operation.

American Bell is offering two fully merchandised programs to retailers, including co-op advertising and sales training. Sears opted for "The PhoneCenter," a 24-linear-foot selection of 22 telephones (including the two newest models: the Touch-a-matic 1600 priced at approximately $150 and the Genesis at approximately $350) and 24 sku's of accessories.

Sears started the program in five Indianapolis area stores last fall, and will roll out the program to 800 stores over the next year. In addition, according to American Bell officials, Sears has expressed an interest in developing a repair program.

Wholesalers look to computers for growth

(Continued from page 3)

will incline vendors and retailers to increase their dependence on wholesalers, particularly in the area of inventory storage and maintenance, and diversification by distributors of the number and types of services that are provided to their customers.

The consensus among the 250 industry panelists participating in the study was that merchant wholesalers (i.e., those servicing dealers) would increase their industry market share from 51% in 1972 to an estimated 58% in 1990.

"Up through the early 1970's, wholesale distribution of lumber *was* growing faster than the G.N.P.," said H. M. (Pete) Niebling, executive director for the North American Wholesale Lumber Assn. (NAWLA), Chicago. "But I'm not sure that lumber, hardware and building materials wholesalers can sustain that kind of growth rate. The study's estimates appear to be based on historical, rather than current, growth patterns."

Among the other findings surfacing in the study was the assessment that, while wholesaling companies were still in a "state of infancy" in their use of computer technology, three-fourths of the country's wholesalers will install electronic on-line order entry systems in their distribution facilities by 1990, and 83% will employ computers for internal sales and marketing analysis. Another 70% of all wholesalers will be using on-line equipment for purchasing and inventory control—a tripling from 1980 levels.

The rapid march by distributors into the computer age portended by the study appears to be taking shape already, with as many as 75% of lumber and building materials wholesalers estimated to be using some form of on-line system, according to NAWLA's Niebling and Perry Sparks, the new president for the National Building Materials Distributors Assn., Chicago. Jointly, the two associations represent 930 companies.

Sparks added his own company, Lumberyard Supply in St. Louis, began using a computer for inventory control and order entry in 1982 and reduced its inventory by $100,000 with no noticeable drop in dealer service.

"The reality of the post-recession wholesale-distribution industry is that we [wholesale lumber/building material distributors] have some catching up to do," said Frank O'Dowd, NBMDA's executive director. "But once our members can stop worrying about survival, it's certain that computerization and more professional management will become a major element in all their growth strategies."

That has already become a reality for many hardware wholesalers who are "ahead of most of the industry" in providing retailers with computerized inventory management, accounts receivable and tracking GMROI, according to Thomas Fernley, executive director for the 88-member National Wholesale Hardware Assn., Philadelphia.

"Several of our members have very sophisticated systems in place, and this will become more prevalent among hardware wholesalers, even though they are generally smaller than the average NAW member."

Improved inventory management through computerization will reduce the need for wholesalers to build additional warehouse or office space to accommodate growth, the study noted. However, because of the expense related to computerizing one's operation, wholesalers' fixed assets, as a per cent of their total assets, will increase from around 12% in 1981 to 20% in 1990, resulting in a greater need to generate investment capital.

NAWLA's Niebling agreed greater capital formation would be essential, primarily because of the trend among his association's members toward becoming "remanufacturers or prefabricators or retreaters.

"Between 1960-1975," he explained, "there was tremendous growth in lumber distribution, but that growth is virtually finished. Therefore, the need to invest in improved fixed assets, be it computers or machinery, will become essential to our members' attracting new retail customers."

The study also asserted that increased operational expenses will force wholesalers to use their resources more productively, resulting in a reduction of personnel and a greater use of computer information systems. However, there remains a great need in the industry for experts to run new machinery and analyze complicated data, so skilled management will be retained and retrained, and in some instances expanded, to facilitate company growth.

One way wholesalers will be maximizing their personnel will be in depending more on inside salespeople to solicit sales, leaving the field staff to handle more marketing and promotional work, the study indicated.

In fact, the most rapidly increasing type of computer system is the order entry terminal located on the wholesalers' premises that allows the retailer to input orders himself. Orders phoned into inside salesmen will subsequently be reduced by one-third, according to the study, over the next decade because of this computerization, with orders via electronic mail (transmission of documents from one terminal to another) doubling.

Lumberyard's Sparks felt there are some commodity lines that do not lend themselves to inside sales or electronic reordering. "I'm not a real believer in telephone sales," he said. "Although the study's findings will be applicable to a great number of wholesalers, building materials just can't be sold without the customers meeting with the salesman and seeing the product."

Niebling, however, said that with the escalating expense of maintaining outside personnel, "we'll see less personalized selling and more phone and telemarketing contact." NWHA's Fernley added this trend was inevitable among hardware wholesalers as well, but added it would be slow. "Inside salespeople have to be trained not only to solicit business, but to sell our services."

Another cost-cutting measure will find wholesalers resorting to common carrier and private trucking to ship their products, over the use of their own fleet, the study said. Distributors owning their own trucks will drop to 38% in 1990 from 59% in 1980, and common and private carriers are expected to deliver 40% of the industry's total sales, up from 20% in 1980, and 56% of all orders in 1990.

"In 45 years, our company has always used common carriers," said Sparks, "and some of NBMDA's members are starting to complain now about the enormous cost of owning their own shipping vehicles."

The report indicated that wholesalers will become larger and cover a greater geographic territory. The number of companies serving a radius of 100-300 miles will increase 20%, the study said, while those servicing customers in a 300-plus mile radius will grow by 35%. Distributors will more likely concentrate their efforts in high-volume, urban or suburban markets, and publicly owned companies (by the study's definition, those with the ability to obtain equity financing) will account for 60% of the industry's total sales.

(Continued on page 39)

A BUYER'S GUIDE

HOW TO MAKE A TOUGH DECISION

THE YEAR OF THE FLOOD

Portable kerosene heater sales are so hot, that everyone seems to be pushing them. We've counted 35 brands that, on the surface, look nearly identical.

And every one promises you "The Best Deal".

That's the tough part.

JUST WHAT IS THE BEST DEAL

Everyone knows it's not a deal if you can't get delivery when you need it . . . if you can't get parts and service for your customers . . . or if the product itself is cheap.

If you want a **real** deal, compare Toyokuni portable kerosene heaters and the support GLO-international gives you. With Toyokuni, you'll get delivery when you need it. We guarantee it.

For the 83-84 selling season, we'll have new models and **new pricing** for the line.

WE DON'T STOP AT THE ORDER FORM

Some companies may seem to disappear after you sign the order.

Not with Toyokuni. GLO-international provides **full** support:

- Self-selling, full-color cartons,
- Award winning P.O.S. support materials and product literature,
- Complete parts and accessories availability,
- Comprehensive limited warranty support,
- A national authorized service center program,
- Sales training films and pocket salesguides,
- And, attention getting P.O.S. films, that sell the product for you.

THE BEST PART OF ALL... SATISFIED CUSTOMERS

Toyokuni owners speak for the product, reporting an outstanding **96%** satisfaction rate.

Why? Quality.

Quality you can see and feel.

Stainless steel. Bright chrome. Tight seams. Flawless finishes. Precise assembly.

Quality in convenience and safety features; including the confidence of U.L. Listing on all models.

Your customers know that **Value** is **Quality + Price**.

That's Toyokuni.